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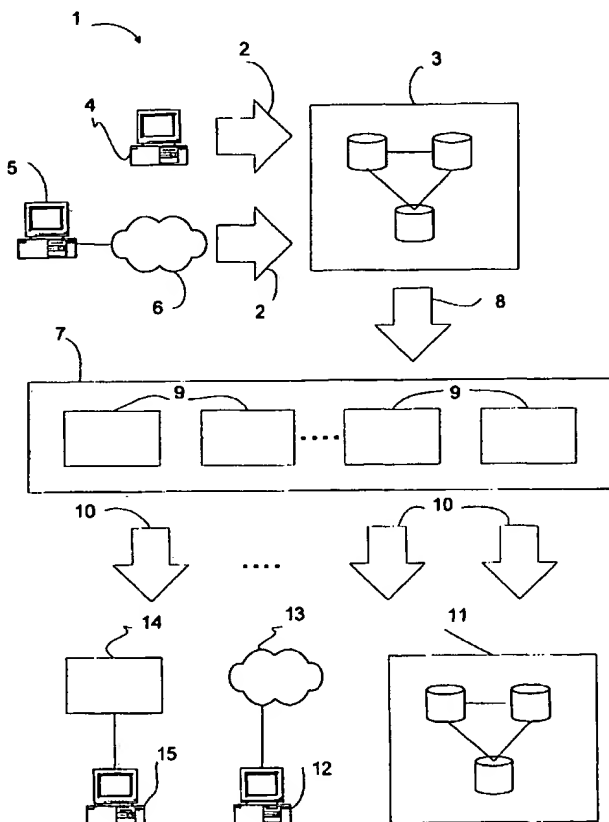
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- (54) Title:** ELECTRONIC INTERNATIONAL TRADING



(57) Abstract: The present invention provides a consolidation of the myriad of technicalities of Customs, Taxation, Quarantine and Logistics with the technology of contemporary systems development and integration. The invention also provides a seamless, electronic international trading system across national borders. The invention provides an electronic international trading method/system/software, which includes: obtaining import/export data for internationally traded goods; obtaining source information based upon import/export data and transferring the source information to at least one management module; at least one management module processing the source information producing processed data from at least one management module, whereby, each management module relates to an area of import and export related international trading.



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Electronic International Trading

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Technical Field

The present invention relates to a new method and/or system for electronic international trading, and in particular, to a new method and/or system for customs and transfer pricing tax compliance on cross border transactions. The present invention additionally relates to new computer software for electronic international trading.

Background Art

Every Importer and Exporter experiences two significant problems in cross-border trade. Firstly, there are typically anything between eight and thirty separate payments which are commonly made to a range of specific service providers and Government (both State and Federal) authorities. These payments are not simply customs duty and freight costs. Payments are made for overseas consolidation, documentation, wharf storage, loading, customs clearance, electronic user fees, storage, lift-on/lift-off charges, BSRA, postage and petties, AQIS, cartage, demurrage, etc., the list is long.

Additionally, few managers are totally conversant with the range of disbursements. There is a temptation to simply pay an account to ensure that the goods are not delayed. At present, customs and transfer pricing tax compliance for cross border transactions are neither seamless, electronic or included in ERP systems.

The Opportunity for Cost Reductions and Improved Operational Control

International trade in goods is valued at approximately 11,500 billion US dollars. About 15 to 20 per cent of that trade cost is spent on customs duties, air freight, sea freight, customs clearance, haulage, storage, transfer pricing compliance and the associated company administrative, financial, record keeping and compliance management.

It is imperative to control and efficiently manage such a large part of any business expenditure. However, international trade remains one of the last bastions of paper communication and records maintenance. Customs is the only taxation area where large companies presently have to individually interface with regulatory authorities for every single cross-border transaction.

Australian Customs has introduced a cargo management re-engineering strategy that will enable periodic reporting, duty and GST payment. APEC introduced an eighteen country tariff database which each member country has agreed to maintain. Other countries are pursuing cargo management re-engineering strategies.

The reporting obligations of trade are increasingly becoming electronically based. Customs authorities in many nations are promoting periodical reporting periods, rather than per transaction reports, representing a significant cost saving. In Australia, the Government has introduced in parliament legislation entitled 'Customs Legislation Amendment & Repeal (International Trade Modernisation) Bill 2000' which will allow for the creation of 'Accredited Clients' which will enable:

"Clearance of goods with minimal government intervention for Accredited Clients as Customs and other border agencies will focus their resources on higher risk goods. To be eligible, an Accredited Client will need to have access to electronic systems capable of creating and/or recreating information relating to the importing or exporting of goods."

In America, a similar Bill was introduced to the US Congress last year backed by a group of large importers called the 'Business Alliance for Customs Modernization', while US Customs is pursuing its own proposals.

Hence, there is a rapidly emerging need for a new globalised e-commerce application/system in customs and transfer pricing tax compliance for cross border transactions. The system or method by which this may be achieved in such a

complicated area is far from obvious and necessitates an in-depth and time consuming analysis of various functional and technical requirements.

Current information storage and retrieval systems are overwhelmingly paper-based and generally outsourced to Customs Brokers. Retrieval of information is a largely manual affair, and Customs Brokers seldom keep records for more than one city, let alone more than one country. Soon this will no longer be sufficient for multinational clients. Australian legislation will permit electronic imaging of records.

Most large international traders are affiliates of multinational firms. They also have repetitive product ranges and sources of supply. These companies are prime candidates as 'Accredited Clients' with customs authorities who permit periodic reporting, duty payments and other benefits. These companies will require access to appropriate systems and procedures which satisfy the prudential requirements of the relevant customs authority.

Whilst most Australian Customs Brokers have electronic systems (Compile or Edifice software applications) for creating and transmitting entries to Customs, they all assume a high level of knowledge by the user and do not store information once it has been processed. They are designed as systems for persons expert in the area of classifying and clearing goods , such as Customs Brokers.

Presently, there does not exist a system designed to be an expert system which can be operated by a user with no or little prior knowledge in the international trade area and which can provide one back office system for the provision of the compliance data in a large number of countries. The Applicants are not aware of any presently available system which can perform this function in-house to take advantage of the lower costs of dealing direct on a periodical basis and which can consolidate and continually update records within and between all the operating units of a multinational company in one jurisdiction.

The Applicants estimate that under the present system in Australia an average fee of about \$130 per transaction is charged. There is potential for enormous cost reductions through bringing this in-house, acting for a number of affiliates or co-operative members, and dealing electronically using specialist innovative software.

5

A total of 2 572 646 import entries were finalised by Australian Customs during 1998-1999, an increase of 1.6 per cent over the previous year. During 1998-1999, export entries increased by 2.5 per cent compared to 1997-1998 with 1 262 208 entries issued. The area is growing and remains somewhat complex. There is a need for a system and method which can assist in consolidating transactions and reduce the complexity of the area as encountered at present.

10

There are other areas of significant cost saving and improved management information available by removing the present system for international trade compliance, particularly through high integrity compliance with national Government schemes such as Tradex and GST deferral, as well as international monitoring of transfer pricing and freight costs.

15

Another duty relief scheme called 'Duty Drawbacks' is currently so time-consuming to perform manually that many companies do not bother. There is a need to deal with this scheme by utilising an alternate system and method, which should introduce regular cost savings to companies.

20

Domestic Size of Market

25

The total Australian market size for international trade services and Customs compliance costs is in the vicinity of \$955 million per annum. The Australian Customs Service has a client base of ninety six thousand companies and individuals. Trade by approximately nine hundred of these clients represents more than ninety per cent of Australia's imports and exports by value. Virtually all importers and exporters outsource customs brokerage (exceptions in Australia include Coles, Woolworths, General Motors and Ford who presently employ in-house brokers in their head-office states).

30

*Domestic Market Value**Customs Compliance*

Customs export and import entries in Australia are currently prepared by Customs Brokers or in-house by a few large companies, and received by Australian Customs on a transactional basis. The major Australian multinational importers/exporters currently process 500 to 30,000 customs import entries per annum.

The average cost incurred by multinationals for processing an import entry and export entry is \$130 and \$80 respectively (this includes an electronic user fee but does not include in-house administration costs).

Thus the customs compliance costs on import and export entries is estimated at:

| | No of Entries | Cost per Entry | Total Cost |
|---------|---------------|----------------|---------------|
| Imports | 2,572,646 | \$130 | \$334,443,980 |
| Exports | 1,262,208 | \$80 | \$100,976,640 |
| | | | \$435,420,620 |

Transfer Pricing

Transfer Pricing is a substantial management and monitoring tax compliance issue for all multinationals in OECD countries.

There are 6,500 multinationals with entities in Australia. Only about 2,000 would have sales warranting scrutiny by the ATO. Products to monitor and manage cross-border transfers of tangible goods would attract a price of between \$20,000 and \$80,000 per unit depending upon the volume and complexity of the cross-border product range. The total market would therefore be about \$80 million if \$40,000 is taken as a median price.

Freight Management

The present import and export traded goods market for Australia is \$102 billion and \$87 billion per annum respectively. Freight costs varies between 3 and 15 per cent depending upon product values and whether air or sea freight is employed. An estimate of the value of domestic freight is 5 per cent of the total value or \$9.5 billion. Freight

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management services are a cost-efficient alternative to freight forwarding. Our estimate of the fees available is 4% of the freight. This rate has been accepted historically by our import/export clients. It is significantly lower than freight forwarding margins.

- 5 On this basis the value of the freight management function is \$380 million per annum.

Systems Integration and Maintenance

- On the basis of previous software market knowledge, maintenance is between 10 and 20 per cent per annum of product sales value. Systems integration sales values would
10 depend heavily on the nature of the integration required.

On this basis System Maintenance would be \$50 million per annum (at the lower end of the maintenance range). Systems integration would be likely to be the same.

Other Services

15 The other area that our system is able to generate costs savings for multinationals that are not included in the above calculations include:

Duty Drawback calculations

- 20 GST Deferral

Tradex

International Market Extrapolation

- Estimates of the size of the global market are extremely difficult to make with any
25 degree of precision. The circumstances are: The global market is 11,500 billion US dollars of cargo value; The same customs and transfer pricing classifications apply in all trading nations except for some small countries of Africa and South America, and notably China.

- 30 Presently, compliance and freight management and customs/tax compliance have not been globalised and integrated under a single management platform. Freight forwarders would have to compete for freight management but would have to substantially reduce

their gross margins. Their best controlled market is the 40% of world trade that is not conducted by multinationals.

Although detailed reference has been made to particulars for Australia, there is the same
5 need for a reduced-complexity system and/or method for international trade compliance around the world.

Definitions

In a networked data communications system, users have access to terminals which are
10 capable of requesting and receiving information from local or remote information sources. In such a system a terminal may be any type of computer or computerised device, a personal computer (PC), a mobile or cellular phone, a mobile data terminal, a portable computer, a personal digital assistant (PDA) or any other similar type of electronic device. The capability of the terminal to request and/or receive information
15 can be provided by an application program, hardware or other such entity. A terminal may be provided with associated devices, for example an information storage device such as a hard disk drive.

In such a communications system an information source may be a server or any other
20 type of terminal (for example, a PC computer) coupled to an information storage device (for example, a hard disk drive). The exchange of information (i.e., the request and/or receipt of information) between the terminal and the information source, or other terminal(s), is facilitated by a connection referred to as a communication channel. The communication channel can be physically realised via a metallic cable (for example, a
25 telephone line), semi-conducting cable, an electromagnetic signal (for example, a radio frequency (RF) signal), an optical fibre cable, a microwave link, a satellite link or any other such medium or combination thereof connected to a network infrastructure.

The infrastructure may be a telephone switch, a base station, a bridge, a router, or any
30 other such specialised component, which facilitates the connection between the terminal and the network. Collectively, the interconnected group of terminals, physical

connections, infrastructure and information sources is referred to as a computer network or data communications network.

The computer network itself may take a variety of forms. It may be located within a local geographic area, such as an office building, and consist of only a limited number of terminals and information sources. This type of computer network is commonly referred to as a Local Area Network (LAN). On a broader scale, it may be larger and support more users over a wider geographic area, such as across a city. This type of network is commonly referred to as a Wide Area Network (WAN). On an even broader scale LAN and WAN networks may be interconnected across a country or globally. An example of a globally connected computer network is the Internet. The computer network can also be considered to be provided by an application service provider hosting a system.

To a user the Internet appears to be a single unified computer network, although in reality it consists of many different types of computer platforms utilising many diverse data communications technologies. The technologies are connected together in such a manner so they appear transparent to the user. This transparency is made possible through the use of a standard communications protocol suite known as Transmission Control Protocol/Internet Protocol (TCP/IP).

Files or data are stored at various information sources. A user can access files or data from an information source, if authorised, by connecting to a computer network and requesting the files or data for viewing or downloading.

In 1999 the global trade of merchandise was worth US\$ 11.5 trillion. Within this market there are two significant driving factors which are fuelling demand for a system and/or method which can overcome the limitations of the prior art, these significant factors are globalisation and e-commerce considerations. This identifies a need for a method, system and computer software for electronic international trading which overcomes the problems inherent in the prior art.

Disclosure Of Invention

The present invention seeks to provide a consolidation of the myriad technicalities of Customs, Taxation, Quarantine and Logistics with the technology of contemporary systems development and integration. The present invention also seeks to provide a seamless, electronic trading environment/system across national borders. In a further form, the present invention seeks to provide a seamless, electronic trading environment/system across national borders which allows management and functional processing in one or a small number of jurisdictions.

According to one particular embodiment of the present invention there is provided an electronically based international trading method for cross-border transactions involving goods which provides automated compliance with government international trade requirements of a region and provides periodic reports directly to a customs authority in accordance with the requirements of the customs authority, and also provides means for communicating and processing transactions with third parties involved in a cross-border transaction, the method including the steps of:

entering import/export data relating to a transaction for internationally traded goods into a database, or causing import/export data to be received from a third party;

causing software to verify that the import/export data relate to authorised transactions and that data fields are valid;

having software prepare import/export data as source information which is then transmitted to at least one software based management module, each management module relating to an area of customs or taxation compliance for international trade or third party transactions for international trade;

at least one software based management module operating on the source information to generate processed data, the processed data containing financial, business, logistical, or accounting information required by the organisation, the customs authority or for commercial dealings with a third party also involved in the cross-border transaction;

the processed data being stored in a database, transmitted to a remote computer terminal, or transmitted to data interface software which may further format the processed data according to the requirements of specialist in-house software; and,

whereby each step of the electronic international trading method is provided for
5 by a single software platform and each international transaction is consolidated in the single software platform which continually updates database records.

In another form there is provided an electronic international trading system for cross-border transactions involving goods which provides automated compliance with
10 government international trade requirements of a region and provides periodic reports directly to a customs authority in accordance with the requirements of the customs authority, and also provides means for communicating and processing transactions with third parties involved in a cross-border transaction, the system including the components of:

15 a database for storing information relating to international transactions;

a terminal for entering import/export data relating to a transaction of internationally traded goods into the database or a network for receiving import/export data from a third party which is then passed to the database;

a single software platform which includes, software to verify that the
20 import/export data relates to authorised transactions and that data fields are valid, software to extract/analyse and/or prepare import/export data as source information which is transmitted to at least one software based management module, each management module relating to an area of customs or taxation compliance for international trade or third party transactions for international trade, management
25 module software operating on the source information to generate processed data, the processed data containing financial, business, logistics, or accounting information required by the organisation, the customs authority or for commercial dealings with a third party also involved in the cross-border transaction, software to cause the processed data to be stored in the database, transmitted to a remote computer terminal, or
30 transmitted to data interface software which may format the processed data according to the requirements of specialist in-house software, whereby the single software platform continually updates the database as import/export data is entered; and, access to

a communications network over which processed data can be transmitted to, the customs authority thereby satisfying governmental customs obligations of an organisation involved in internationally traded goods, or a third party involved in particular transactions.

5

In yet another form there is provided a computer readable medium of instructions for electronic international trading for cross-border transactions involving goods which provides automated compliance with government international trade requirements of a region and provides periodic reports directly to a customs authority in accordance with
10 the requirements of the customs authority, and also provides means for communicating and processing transactions with third parties involved in a cross-border transaction, the computer readable medium of instructions providing the features of:

a user interface enabling a user to enter import/export data relating to a transaction of internationally traded goods into a database, or a network interface to
15 receive import/export data from a third party;

procedures to verify that the import/export data relate to authorised transactions and that entered data fields are valid;

procedures to extract/analyse and/or prepare import/export data as source information which is then transmitted to at least one management module incorporated in
20 the medium of instructions, each management module relating to an area of customs or taxation compliance for international trade or third party transactions for international trade;

at least one management module operating on the source information to generate processed data, the processed data containing financial, business, logistics, or accounting
25 information required by the organisation, the customs authority or for commercial dealings with a third party also involved in the cross-border transaction;

the processed data being stored in a database associated with the medium of instructions, transmitted to a remote computer terminal, or transmitted to data interface software which may format the processed data according to the requirements of
30 specialist in-house software; and,

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whereby each feature of the medium of instructions is provided incorporated into a single user-interface platform and each international transaction is consolidated by the medium of instructions which continually updates database records.

5 In one embodiment the database is an inter-linked databases and/or a relational database. The import/export data may be entered or transmitted as a result of the sale, purchase, delivery or receipt of goods. The management modules can be customised to an organisation's requirements and the requirements of a particular regions laws, regulations or procedures.

10

Broadly, the management modules can include any combination of the following modules: Events management, Operational System Interface Management, Communications Management, Master Data Maintenance, Database Management, Historical Analysis, Authority Interface Management, Trade Compliance – Imports,
15 Trade Compliance – Exports, Duty Drawback Management, Tradex Order Management, Transfer Pricing Management, or International Affiliate Management. Also, broadly, the import/export data may include information relating to any combination of the following: suppliers; customers; shipping details; products; components; product costs; customs duties; indirect taxes; tariff classifications; insurance costs; freight costs;
20 brokerage costs; or disbursement costs.

Preferably, the computer-readable medium of instructions is used in-house in an organisation which imports or exports goods. Also preferably, the computer readable medium of instructions is a software package for which various country specific
25 management modules may be added, amended or removed. According to one aspect, predefined triggers automatically cause processing and transmission of data. According to another aspect, and application service provider can host the computer-readable medium of instructions and/or related data.

30 In other specific forms, the present invention provides an electronically based international trading method, substantially according to the embodiment described in the specification with reference to the accompanying figures; and/or an electronic

international trading system, substantially according to the embodiment described in the specification with reference to the accompanying figures; and/or a computer readable medium of instructions for electronic international trading, substantially according to the embodiment described in the specification with reference to the accompanying figures.

5

Brief description Of Figures

The present invention will become apparent from the following description, which is given by way of example only, of a preferred but non-limiting embodiment thereof,
10 described in connection with the accompanying figure, wherein:

Figure 1 illustrates a preferred embodiment of the present invention wherein, the figure shows the general structure of the system of the present invention.

Figure 2 illustrates an overview of the electronic international trade
15 system/software.

Figure 3 illustrates a transactional flow diagram.

Figure 4 illustrates a particular system structure.

Figure 5 illustrates the authority interface management flow diagram for the authority interface management module.

Figure 6 illustrates the module function flowchart for the imports trade
20 compliance module.

Figure 7 illustrates the importation inputs/outputs for the import module document process flow.

Figure 8 illustrates the module function flowchart for the exports trade
25 compliance module.

Figure 9 illustrates the exportation module information flow for export module.

Figure 10 illustrates the duty drawback module process.

Figure 11 illustrates the information flow in the duty drawbacks module.

Figure 12 illustrates the Tradex process flowchart.

Figure 13 illustrates the flowchart for the transfer pricing management module.
30

Figure 14 illustrates a schematic diagram for the international affiliate management module.

Modes For Carrying Out The Invention

The following modes are described as applied to the written description and appended
5 claims in order to provide a more precise understanding of the subject matter of the present invention. The present invention seeks to provide an electronic international trading system, method and computer software therefor.

The spectrum of technicality resulting from trade barriers and the length of the supply
10 chain is comprehensive and complex. Issues range from classification of goods, to duty calculation, to GST calculation and deferral, calculation of other relevant charges/taxes by jurisdiction, to dumping, to valuation, to transfer pricing, to freight rates, to quarantine, to storage, to hazardous and inflammable goods strategies. Some of the technicalities have provided areas of technical specialisation for a lifetime. It is
15 necessary to reduce the technicalities to ordered processes and algorithms drawing from an appropriately structured data warehouse.

The system and method is based upon the construction of a major data warehouse which captures all of the relevant trade data (presently available mostly in paper form) for both
20 imports and exports. The data is captured down to the atomic level - i.e. product code, catalogue number of unique product, component, part or material description. Much of the data necessary may be available in inventory systems or in Customs' databases, however, generally the first process is to transfer information from paper to the database.

25

I. Preferred embodiment

A preferred, but non-limiting, embodiment of the present invention is shown in figure 1 which illustrates a general overview of the system 1 of the present invention. In the
30 figure, incorporated to illustrate the features of the present invention, like reference numerals are used to identify like parts throughout the figure.

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Import/export data 2 is entered into inter-linked databases 3 for storage of the import/export data 2 in various fields of the databases 3. The import/export data 2 may be entered via a user terminal 4, for example where conversion from paper based information is used, and/or via a first terminal 5 connected to the databases 3 via a computer network 6. The first terminal 5 may cause the import/export data 2 to be automatically transmitted at, for example, sale, delivery or receipt of goods. It should be noted that the inter-linked databases 3 may be embodied as a single database if appropriate.

10 A suite of management modules 7 is provided to process the import/export data 2 obtained from the inter-linked databases 3 as source information 8. The individual management modules 9 contain algorithms or other features enabling calculations to be performed on the source information 8 in accordance with various international trading laws, regulations, rules etc.

15

The source information 8 contains a selection of import/export data 2 and may contain additional data or information. The source information 8 required by each management module 9 would typically, but not necessarily, vary.

20 An individual management module 9 can be provided to address any particular aspect of international trading which is desired to be addressed. Any number of different or disparate management modules 9 can be provided depending upon a user's or company's requirements.

25 Each individual management module 9 outputs processed data 10. This processed data 10 may contain summary or detailed information and/or analysis of the source information 8 in accordance with laws, regulations, rules etc. as embodied in the management module 9. The processed data 10 may be provided as a discrete packet from each management module 9 or as a compilation of processed data 10 from the suite
30 of management modules 7.

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The processed data 10 is then transmitted to a storage database 11, which may be the same as or part of the inter-linked databases 3, or distinct therefrom. Alternatively or additionally, the processed data 10 may be transmitted to a computer network 13 and relayed to a second terminal 12 to be further utilised. For example, the second terminal
5 12 may be a Customs computer. The second terminal 12 could be the first terminal 5 in a particular embodiment of the invention.

Furthermore, the processed data 10 may be transmitted to a data interface software 14 which manipulates the format of the processed data 10 so that the processed data 10 may
10 be used by in-house software on a terminal 15 of a company dealing in imported/exported goods.

It should be noted that the source information 8 may be transmitted to the second terminal 12 or the data interface software 14 in a similar way to the processed data 10 if
15 so desired. If required, any of the terminals hereinbefore mentioned may be provided with access to any data or any of the databases. In one particular embodiment, the present invention thus provides a suite of software (management modules) 7 which combine to form part of an electronic international trading system and method therefor. Generally, security measures will be provided to keep a company's data secure.

20 By provision of said software, the present invention enables organisations to meet processing and compliance needs 'in-house' in the area of customs and indirect taxes on cross-border transactions. In a preferred embodiment, the software is targeted to international traders, many of whom are multinational operators.

25 *The Electronic International Trading System/Method Inter-linked Databases*

A cluster of inter-linked databases 3 is provided which stores information on entities including: Suppliers; Customers; Shipping Details; Product; Components; Origin; Valuation Algorithms; Product Costs; Customs Duties; Indirect Taxes; Tariff
30 Classifications; Insurance Costs; Freight Costs; Brokerage Costs; Disbursement Costs.

The inter-linked databases 3 be tailored for every user (client) by the installer. Further information regarding the inter-linked databases 3 is provided below. This information hub provides the source information 8 and software links to power the management modules 9, which may include the following which are provided by way of example and should not be taken to be limiting or an exhaustive description:

Duty Drawbacks module

Duty Drawbacks is an Australian Government scheme which provides a refund of Customs Duties to companies which export goods that they have imported within the previous twelve months. Presently, processing a Duty Drawback is a complex manual procedure, best handled by experts and is therefore of marginal economic benefit to importers. The software defining the Duty Drawbacks module is used to electronically process a drawback order.

The Duty Drawbacks module and other country specific requirements is not limiting to the scope of the invention. Varied or alternate modules may be substituted for any of the country specific modules presented herein.

Tradex module

Tradex is a scheme introduced by the Australian Government in June 2000. This scheme uses a different approach to address the same principle which underlies the Duty Drawback scheme, that is, duties/taxes should only be imposed on goods imported for domestic consumption. Under the Tradex scheme, an importer may apply for an Order to exempt goods from customs duties and Goods and Services Tax (GST) in advance of their importation, and pay no duties/GST if those goods are re-exported within 12 months. The cash flow benefits to companies are obvious. The Tradex scheme assumes that companies can provide a reasonable forward estimate of their imports, and accurately track the movement of exports against specific exemption Orders. The Tradex module of the present invention allows both of these expectations to be met.

Whilst both Duty Drawbacks and Tradex are country specific schemes, the principle on which they are based is shared internationally. There are similar schemes in other

trading nations and compliance modules for these other schemes can be incorporated as further management modules 9. It should be noted that these other schemes form part of the present invention.

- 5 The Government's liberalisation of the Drawback process combined with the software and system of the present invention is a direct and major means of reducing the cost of calculating duty drawbacks and ensuring that appropriate compliance systems exist. Tradex/Drawback software can thus provide the difference between claiming and not claiming a Drawback on Customs duty. It matches product export details, through a Bill
10 of Materials if necessary, with product report details and provides the necessary audit trails for compliance. Additionally, the Tradex/Drawback module can be combined to operate with the Imports and Exports modules to create import entries at the country of destination.

15 *GST deferral module*

- Whilst Duty-Drawbacks and Tradex involve an exemption from GST on exported goods, goods imported for consumption in Australia are eligible for a deferral on payment of the GST. This has significant cash-flow advantages for importers. The present invention can be used to accurately calculate the GST to be deferred, giving the company an
20 independent reference point to the Government's own assessment.

Freight/brokerage monitoring module

- Measurement in international freight is standardised into either weight (mainly for Airfreight) or container loads (mainly for Sea). The freight monitoring module of the
25 present invention will allow companies to closely monitor their freight costs over time.

- The freight monitoring module will be immediately useful in tracking freight and brokerage costs against quotes. Additionally, usefulness resides in designing tenders for future work against patterns of past practice using real data and costs. This module has
30 global application.

International Affiliate Management module

The International Affiliate Management module is designed for multi-nationals who have responsibilities for a number of countries which may include Australia. The existence of common customs systems of classification and valuation and global logistics characteristics makes it essential to be able to manage and control compliance and logistics in the markets that are within an entities' sphere of responsibility. Major cost benefits can be created by combining the functional compliance responsibilities of a number of countries

This module requires the creation of a multi-country database that is no more complex than the data base necessary than for example Australia. The Australian regional or, corporate head office, for example, can then manage the process to either simply ensure that cost benchmarks and processes are effective and efficient or actually run the process from a single source and only involve other affiliates in any necessary physical intervention.

Very few Australian multi-nationals or multi-nationals located in Australia with a regional responsibility know their compliance and logistics costs. This module is designed to remedy this problem and ensure that scale benefits in service and compliance functions are derived. The use of this module in conjunction with a powerful management information tool creates an information process that has not been available until now.

Transfer Pricing Monitor module

The Transfer Pricing Monitor module is a tool to both monitor and manage cross border prices between affiliates where the parent company has established global pricing structures and methodologies. This module provides a mechanism users, for example Chief Financial Officers (CFO) and tax managers, in multinational companies to maintain tax compliance for cross-border trade in tangible products.

Within the Transfer Pricing Monitor module price variations by country for each Division or business unit are recorded within defined parameters which can be set by the CFO in conjunction with the operational managers. For individual products the system

can permit 'Transfer Price Tracking' for a product by individual country or all countries involved in an organisation's trade. The system provides for high level variance checking by tax jurisdiction or group of countries (such as APEC) with 'drill down' to product detail.

5

If the software (computer readable medium of instructions) of the present invention is used by multinationals in each of their trading jurisdictions then valuable information for Transfer Pricing and other price monitoring is also available from the system. In a preferred embodiment, the system and method is envisaged as a supplement to existing
10 transfer pricing policy documents of a company. The present invention can allow companies to electronically monitor the ongoing application of their transfer pricing policy and flag non-complying transactions and generate compliance reports.

Logistics Compliance and Costs Module

15 The Logistics Compliance and Costs Module is a management information process that is designed to provide tailored information to the various operational, financial and administrative management of major cross border businesses.

International trade data involves a lot more than cross-border product prices. Senior
20 management wants to know the major trade cost aggregates and trends which impact upon sales and the direction of the business. Buyers and marketers are consumed by supply cycle times, unit landed duty paid costs into store and unit gross margins. Warehouse and logistics operatives want to know where product is in a container and what product is expected to arrive in the near future.

25

Financial staff are concerned that costs are minimised in keeping with the service level required, and that costs are authorised and actually incurred. The Logistics, Compliance and Costs Module can be tailored to meet the specific needs of each user. Processes/systems and methods forming an embodiment of the present invention are
30 available to provide a browsing facility for a number of offices, and to filter out specific data that is confidential to particular company groups or levels.

The Logistics, Compliance and Costs tool can draw upon the full data resources of the Database to provide either pre-determined information screens which are periodically updated, or to allow the user to interact with the Database to re-order data to answer specific queries.

5

Communications module

The Communications module is designed to supplement linkages, where they exist, and provide complementary services and functionality where they do not. It contains within it a library of structured messages and translators to cater for exchanges of messages with both external and internal service providers across a range of communications protocols from X400 through Internet to Intranet. As an example, external messaging for the trade process could encompass the following service providers: shipping companies / freight forwarders / airlines; container terminals; deconsolidation depots; local carriers / warehouses; banks; overseas suppliers; buying agents. Such messages as UNEDIFACT, ANSI X12, XML, ebXML and other proprietary standards can be accommodated.

15

Within this module communications and messaging can be made available to statutory authorities. The nature and extent of electronic messaging that may be used can vary from organisation to organisation. In a particular embodiment, the system and method can be developed, in conjunction with a user, for migration to electronic commerce in a specific area of focus. In conjunction, a review of associated business processes is undertaken to identify necessary changes required to accommodate enhanced electronic processing, this is normally referred to as business re-engineering.

20

Exports module

The Exports module is designed to generate periodic Customs exit information from source data in the module. Exit information is electronically compiled from the data elements within the database. There is no level of technical knowledge required from the Exports user. The present invention can also generate entry information for the exported goods to facilitate expedited entry of the goods in a country of destination.

30

Imports module

The Imports module is designed to process Import transactions for periodic Customs settlement from source data in the database. Entries are electronically compiled from the relationships between prescribed data elements within the database. As an example these will match product with classification, appropriate duty rate, and where appropriate, user specified treatment of any additional dutiable charges, etc. The software will cover shipments by sea, air and post.

The software contains all of the algorithms for duty calculation and is differentiated from many broker systems by its focus on customs and GST valuation issues as well as tariff classification listings. There is no level of technical knowledge required from the Imports user.

The product generates entries in the GST Database for substantiating periodic settlement and compliance processes as envisaged by the Customs Accredited Client and Tradex concepts. Periodic entries will be lodged in the format and manner prescribed by a Customs Service. They will incorporate, for example, both AQIS (Australian Quarantine & Inspection Service) and ABS (Australian Bureau of Statistics) data requirements extracted for shipments received during the period of the return.

In line with user direction and statutory requirements the payment of Sales Tax/GST can be accommodated within this function. Imports can generate duty/tax payments direct from the clients account by EFT and/or initiate cheque issuance and/or accounting records from in-house accounting systems.

This module will allow users, for example company employees, with little or no technical knowledge of Customs, Quarantine, Statistics or Tax to process Imports and Exports. The system can automatically apply the technical aspects from a database of product/supplier data, rules and processing algorithms.

When the 'expert aspects' of the system need to be updated for changes to, for example, legislation or new products, (eg. correct tariff classification of a new product) this

facility can be provided. Using this product users will be able to generate customs entries for a range of countries, hence this product has global application.

Databases

5 Once the inter-linked databases 3 are established integrity is maintained by adding all new cross-border transactions. The data can then be manipulated by employing one of the suite of management modules 7 which include, for example: Import; Export; Tradex/Drawbacks; Transfer Pricing Monitor; Multi-Country Review and Management; Logistics/Compliance and Costs; Authority Interface Manager; Communications
10 Manager.

The databases 3 are relational databases specifically designed to capture, sequence and store all relevant imported and exported product data which is essential to enable Customs, Logistics, AQIS, landed duty paid into store costing and other trade
15 applications. This data may in part, or not at all, be available from a given organisation's inventory database. The databases 3 focus on Customs Technicality (ie. classification, customs valuation, statistical codes, tariff concessions and other customs/trade related data).

20 The inter-linked databases 3 (which may be considered as a single database) may include the following features:

Capture purchasing imports data before arrival and exports data before departure (ideally to capture data at time of order generation);

Sequences, retrieves and manages data at the atomic level, ie. at the unique
25 product number, catalogue number or product description;

Capture all technical data necessary for the following applications:

customs entry for imports and exports;

customs, refunds, drawbacks, Tradex, policy by laws;

Creation of compliance systems for the Customs;

30 Accredited Client Scheme and periodic settlement (including nett settlements);

transfer pricing monitoring;

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Logistics Management;

Generate management reports in the format and on the issues specifically required by the users. These can include:

- 5 air and sea freight costs segregated by origin, supplier or in-house users;
- monthly/quarterly or any period reports over the entire range of
- international trade logistics, taxation and compliance costs (ie. duty,
- freight, clearance, storage, other trade services);
- historical and intra-company and industry benchmarking cost reports;
- strategic sourcing queries;
- 10 performance of foreign exchange rates obtained against Budget;
- imports inventory financial management.

Issues of specific user interest, eg. AQIS costs, state office performance comparisons;

- 15 Be integrated into major in-house systems and to be usable on either a partial or
- completely open multiple site basis to enable communication with service suppliers and
- Government authorities.

The databases can be provided with in-built security features to ensure:

- records of data changes are made;
- 20 access to data levels is restricted by operational authorisations.

- Audit trails exist for the life of the data which may be electronically accessed by both
- internal and external auditors. Products sourced locally can be incorporated into the
- databases together with an identifier for country of origin to enable greater duty
- 25 recovery in Exports.

- Through its product modules the present invention seeks to provide users with the
- electronic tools to increase the opportunities available by embracing electronic
- commerce in the trade process. As a result, depending on how electronically enabled a
- 30 user is, several modules can have interfaces with existing systems which may encompass
- purchasing, inventory, logistics, costing and finance.

-25-

II. Further examples

The following example provides a more detailed outline of an embodiment of the present invention. The example is intended to be merely illustrative and not limiting of the scope of the present invention. The example illustrates electronic international trading software which may be used as an electronic international trading system (EITS). In this section reference to the term EITS should be taken to be a reference to the international trading system (or software) and its components.

10 The international trading software seeks to provide an expert system with an easy-to-use suite of integrated software products to assist a business user to manage the flow, compliance and efficiency of international trade in the most cost-effective manner.

15 The international trading software should be capable of operation by persons without skill or knowledge in Customs or other international trade compliance processes and technicality. The underlying data warehouse can be managed and updated by technical specialists. An illustration of the overall function flowchart is shown in figure 2.

As illustrated in figure 2 an ERP system 200 is linked to communications and interface modules 210. The communications and interface modules 210 include an ERP system interface 211, and a communications manager 212 which is linked to an authority interface manager 213. The communications manager 212 is linked to third parties 220 (for example, ATO, ABS, AQIS, freight forwarder) via the communications gateway 230. The EITS database 240 is linked to the communications and interface modules 210, the transaction processing modules 250, the reporting and analysis modules 260 and the events manager 270. Within the transaction processing modules 250 are a number of modules which can include trade compliance imports 251, trade compliance exports 252, transfer pricing manager 253, duty drawback manager 254 and tradex order module 255. Within the reporting and analysis modules 260 are a number of modules which can include historical analysis 261 and international affiliate manager 262. Communications can also occur between the communications and interface modules 210 and the transaction processing modules 250 or the reporting and analysis modules 260.

An illustration of the transaction flow diagram is presented in figure 3. As illustrated in figure 3, the EITS involves a number of parties, a terminal housing components of the system/software is shown as 300 (and is herein referred to as EITS 300). Statistical
5 ABS and AQIS permit information 301 is transmitted to the ABS/AQIS party or module 310. Periodic import/export customs entry information 302 is transmitted to Customs 320. Inventory, disbursement note charges, invoice information 303 is transmitted to a client ERP system 330. Export number/clearance, disbursement invoice information 304 is transmitted to a freight forwarder 340. The freight forwarder 340 may transmit a
10 charges invoice, bill of lading, notification of arrival/departure information 341 to EITS 300. The freight forwarder transports goods 342 to an overseas customer 350. Customs 320 releases goods 321 to the freight forwarder 340. The supplier 360 transmits a goods invoice 361 to the freight forwarder 340. The supplier 360 also provides purchase invoice 362 to the client ERP system 330. The client ERP system 330 can transmit a
15 purchase order 331 to the supplier 360. Purchase order, purchase invoice, goods receipt, sales invoice and goods dispatch information 332 is supplied to the EITS 300. The client ERP system 330 can transmit sales invoice information 333 to the overseas customer 350. Also, periodic payment or GST deferral information 334 can be transmitted to Customs 320. Goods information 335 is exchanged between the client ERP system 330
20 and the freight forwarder 340. In the client ERP system 330 means can be provided to enable the client to raise a purchase order, enter an invoice, receive goods, enter goods, enter a disbursement invoice and make payments. Also, reports can be made available, for example, overseas purchases, orders, value of goods received or overseas invoices.

25 Shown in figure 4 is an example of the system structure. The inputs and outputs shown are not complete and are for illustrative purposes only. As illustrated in figure 4 the user interface terminal 400 can receive information from any of the business rules modules 410, such as import transactions 411, tradex orders 412, duty drawbacks 413, reports 414, transfer pricing 415 or export transactions 416. Information may also be passed to
30 the user interface terminal 400 from the business rules modules 410 via an event 420. The business rules modules 410 draw on database 430 for information. Examples of the input information 431 into the database 430 include bill of lading 432, supplier invoice

433, disbursement invoice 434, export sale invoice 435 and purchase order 436. The database 430 can also be provided with update information 451 from a module or procedure 450 which may include, for example, reference tables, products, bill of material, tariffs, suppliers, customers, daily foreign exchange rates, Lloyds numbers and ship names, port and location codes, AQIS, ABS, etc..

The EITS should be able to be integrated into one of three operating environments:

In-house integrated solution residing in a multi-national company's data centre and operating securely over the corporate Intranet or the Internet through a secure gateway;

In-house integrated solution that is web hosted on an Application Service Provider (ASP) running over the Internet through a secure gateway;

A third party processes transactions via an outsourced solution whereby the software is web hosted on an ASP running over the Internet through a secure gateway.

Overall Concept

The EITS seeks to provide an 'Expert System' that contains intelligence to automatically process routine transactions with little or no human intervention. The expectation is for pre-defined event triggers to automatically drive transaction processing in a logical process oriented manner. To achieve this the system may contain in-built intelligence based upon sets of transaction processing rules for each module. The system should either automatically process a transaction or determine the most suitable course of action. If transaction process problems occur, such as missing data elements there are process time constraints for message alerts to key client personnel for action or to remote Trade and Customs specialists. The software may be developed progressively in a module form with each delivery of the software consisting of a saleable product.

This modularity of the software should extend to the maintenance area whereby individual functional modules shall be able to be updated independently with the minimum impact on other modules. Similarly, all site specific tailoring shall be able to be updated at the same time as new functionality is delivered. Each software delivery shall be achieved without detrimental impact on the data set of each site.

Global Requirements

It is envisaged that the EITS will be implemented by multinational companies in their affiliates on a global basis. With this in mind the following requirements may be incorporated into the system functionality and design to enable future system enhancements and upgrades to be more easily integrated:

Multi-lingual language capabilities including English, Japanese, German, French, Koren, Mandarin (or common Chinese character set);

Flexibility in database design to incorporate varying regulatory information reporting requirements, terminology and required data elements used in different countries;

Flexibility to cater for various input and output forms and electronic transaction lodgement mechanisms used in different countries;

Ability to consolidate multi-country database information for global monitoring and reporting;

Designed to allow multi-companies in multi-country to use one system one database or one system several databases;

Multi-layered user access structure to provide local, regional and global access External authority and service provide access.

Control Requirements

For each of the EITS modules adequate controls should be developed in the following areas:

Input/Output Controls to ensure that every transaction to be processed is received, processed recorded and stored accurately and completely;

Input Authorisation controls to verify that all transactions are authorised transactions;

Input error reporting and handling controls to ensure that the handling of data concentrates on controls identified to verify data is accepted into the system correctly, including the handling of input error corrections;

Data validation and editing controls to ensure data is validated against master files and input formats to ensure the data is input into the correct field in the correct

format. Also to ensure data interface or input errors, incomplete or missing data and inconsistencies among related data items are identified and resolved at time of input;

Processing controls to ensure accurate, complete and valid input and update to an application and data files;

5 Data file controls to ensure only authorised processing occurs to stored data;

Matching Transaction Controls to ensure the physical flow of goods have actually been received or actually been despatched (for example, not just sitting on a wharf), with the paper/electronic flow of the transaction.

10 Detailed Module Descriptions

The following detailed descriptions are provided further to the preceding module descriptions. The following modules are not an exhaustive list of the modules which may be provided. Some modules are country specific and it should be noted that these, and
15 indeed any modules, may be altered to reflect the requirements of a specific country. Not all listed modules need to be provided in the system or software of the present invention.

Events Management

20

Overview

The event manager is designed to define and manage the processing of transactions by each module through monitoring the transaction against pre-defined events. A series of events will be established for each transaction defining the processing stages a
25 transaction must go through to ensure defined requirements (for example Customs and AQIS) are met. This should ensure transactions processed are complete, accurate and processed in a timely manner. An event will include instructions for all associated communications both into (expected) and out of the system.

For example, to complete a compliance import event transaction, a series of events (as
30 defined in the Trade Compliance – Imports section) need to occur to ensure the import event is captured and recorded in EITS. The event manager will monitor each

transaction against these pre-defined events and provide a monitoring facility to track the status of transactions and to highlight problem transactions for resolution by key users.

The action taken to resolve problem events should also be recorded for future reference.

Most events surround a physical and logical flow of goods will be set up as part of the standard package. However, the system will enable users to set up their own workflow requirements.

Functions

| Event | Function | Perform by 'System' or 'User' |
|-------|--|----------------------------------|
| 1 | Maintenance of standard events to be carried out and the associated communications per transaction | User |
| 2 | Monitoring of received transactions (refer Communications Co-ordination) | System |
| 3 | Monitoring of despatched transactions (refer Communications Co-ordination) | System |
| 4 | Monitoring of event status | System |
| 5 | Notification of outstanding or due events | System |
| 6 | The events for each module are determined by the functionality each module contains and the differing types of transactions that each module will process. The events are defined in the individual module section of this document. | User |

10 *Input Transactions*

Each individual module determines the input transactions to the event manager.

Output Transactions

Each individual module determines the output transactions to the event manager

15

Reports & Enquiries

Event status monitor report / inquiry;

Event transaction problem report / inquiry;

Automatic problem transaction e-mail to key users (possibly an event in itself);

20 Log of problem transaction correction action;

Inter-Module Interfaces.

The event manager can interface with the following modules:

Trade Compliance – Imports; Trade Compliance – Exports; Duty Drawbacks Management; Transfer Pricing Management; TRADEX Order Management;
5 Communications Management; Master Data Maintenance; Automation Interface Management; International Affiliate Management.

Operational System Interface Management

10 *Overview*

The operational system interface (OSI) manager is the interface link between the EITS and the clients Enterprise Resource Planning (ERP) system. The OSI will handle the transactional interface of data to/from the clients ERP system including the update of transaction data and processing of journal entries in real time. All transactions sourced
15 from the ERP system may also be entered manually into the EITS in the case of communication problems.

Data elements that already reside in the ERP system such as product, supplier and customer details are not to be duplicated in the EITS. Rather the EITS will store
20 additional information required to complete trade compliance transactions in relation to these data elements not currently contained in the ERP system. If a new product, supplier or customer is added in the ERP system an automatic notification should appear in the EITS to ensure the EITS required data elements are created.

25 The OSI should operate using available standard formats such as XML or ebXML. The OSI will function to translate data between the EITS and the ERP system by enabling real time retrieval, transaction transfers and data updates to the related databases. The OSI will provide functionality to establish and maintain the interface by providing a mechanism to point to and match data across the EITS and the ERP system easily.

30

Functions

Automatic links to supplier, customer and products source data; Retrieval of supplier, customer, products and BOM source data; Transfer of transactions between systems.

Input Transactions

- 5 The transactional modules determine input transactions.

Output Transactions

The transactional modules determine output transactions.

10 *Reports & Enquiries*

The OSI can produce the following reports: Log of interface transactions; Log of interface errors; Log of changes to the interface translation; Inter-Module Interfaces.

- 15 The OSI will interface directly to the EITS database and be used by the following transaction processing modules: Trade Compliance – Imports; Trade Compliance – Exports; Duty Drawbacks Management; Transfer Pricing Management; TRADEX Order Management; Master Data Maintenance.

Communications Management

20

Overview

- 25 The Communications Management module will handle the transactional and data messaging between the EITS and any third party systems, including e-mail and alert messages to corporate e-mail systems. The Communications Coordinator needs to be able to receive/send and translate transaction data and messages from a variety of sources in several communications formats in a secure encrypted format. It will work closely with the event manager to receive/send event messaging between the modules and third party systems. It will need to be able to store and maintain a register of the communications, including standard transmission formats, approved source and destination for messaging, encryption keys and other security mechanisms as required by
- 30 the various authorities which the EITS will communicate with.

The communications manager function is to contain within it a library of structured messages and translators to cater for exchanges of messages with both external and internal service providers across a range of communications protocols from X400 through Internet to Intranet. Such messages, as UN-EDIFACT, ANSI X12, XML, EBXML and proprietary standards can be accommodated.

A communications gateway/network could be created to provide a standard interface to regulatory authorities for all users of the EITS. This is to enable streamlining of common third party interface links through a single communications hub to eliminate the creation of duplicate communication networks and interfaces.

Functions

| Function | Perform by |
|--|------------|
| Send and receive all communications (refer Events Management) | System |
| Link with status monitoring (International Affiliate Management) | System |
| Maintain communications method, source, destination and responsibility | User |
| Provide Third party interfaces, including approved authority access | System |
| Carry out file transfers | System |
| Data import and export | System |
| Transmit and receive e-mails, faxes | System |
| Check for and log attempted duplicate entries, eg manually then electronic | System |

Input Transactions

The system should be able to interface to at least some of the following:

The Internet and the World Wide Web using secure as well as insecure (http and ftp, for example) protocols and defined standard transmission formats, such as XML;

Existing company Intranet using secure and insecure protocols, as appropriate;

EDIFICE using all current EDIFACT message types;

COMPILE;

Business-to-business application such as ARIBA and Commerce One;

Commercial available search engines (links);

Customs and indirect taxation web sites provide by various national government authorities;

The EITS master database for periodic update of tariff details and duty rates;

Authoritative foreign exchange rate systems;

5 Freight forwarders, shipping companies and airlines for monitoring and tracking of physical goods movement compared to customs entries;

Customs and ATO for submission of periodic or transaction customs entries including duty and GST payable via the Customs Connect Facility (CCF);

ABS, AQIS or Depart of Health or other involved compliance authorities.

10

As an example external messaging for the trade process could encompass the following service providers: Shipping companies / freight forwarders / airlines; Container terminals; Deconsolidation depots; Local carriers / warehouses; Overseas suppliers; Buying agents; ATO, ABS, AQIS; Banks;

15

Output Transactions

Output transactions processed through the communications manager are defined in the output section of each module.

20 *Reports & Enquiries*

The communications manager may produce the following reports: Log of input/output communication messages; Log of input/output communication errors; Log of changes to communication settings.

25 *Inter-Module Interfaces*

The Communication Manager will interface directly to the EITS database and be used by the following transaction processing modules for retrieving and sending of transactions to third party systems: Trade Compliance – Imports & Exports; Duty Drawbacks Management; Transfer Pricing Management; TRADEX Order Management; Events
30 Manager; Master Data Maintenance; International Affiliate Management.

Master Data Maintenance

Overview

The master data maintenance module will be used to set up and maintain the underlying master data that will be used by the various modules to generate transactions. The master data maintenance will interface with the Authority Interface Module to receive source data updates from third Party Authorities such as Customs, AQIS and ABS, and the Operational System Interface to source customer, supplier, and product details. A history of all changes to underlying master data must be maintained, to cater for regeneration/ re-calculation of transactions based upon effectivity dating.

10

Functions

| Event | Function | Perform by |
|----------------------------------|--|------------|
| Maintain Master Data | Create initial master data | User |
| Maintain Master Data | Maintain master data | User |
| Maintain Master Data | Delete master data | User |
| Maintain Master Data | Establish and maintain data relationships | User |
| Maintain Master Data | Maintain effectivity dating of master data updates | System |
| Maintain Master Data | Audit logging of changes to master data | System |
| Import master data change events | Import master data change events from Authority Manager | System |
| Import master data change events | Import master data change events from ERP system | System |
| Maintain Master Data | The base data that will require maintenance includes but is not limited to the following: Suppliers, products and customers - import/export data and parameters Service providers and contractual arrangements All other internal and external contacts Export bill of components (single level of raw material) Tariff data Quarantine data Lloyds data Company organisation structure Currency data Country data Ports data | User |

| Event | Function | Perform by |
|-------|--|------------|
| | Valuation data Other Customs rules data Statistical Code data GST value rules Importing data from external systems | |

Reports & Enquiries

Audit log of changes to master data; Historic analysis of changes to master data; Inter-Module Interfaces. The master data maintenance module will interface to the following modules: Operational System Interface; Authority Interface Manager.

Database Management

Overview

The EITS Database is preferably a relational database specifically designed to capture, index and store all relevant completed transactional and source data required by multinational companies, their service providers and international trade compliance authorities. This data includes imported and exported product data, Customs and tax technical information, AQIS regulations, landed duty paid into store (LDPIS) costing, transfer pricing and other data required by the EITS modules. The database layout will be defined by the data requirements of each module.

Functions

The database top-level function supports the other components of the system. Most of the functional inputs and outputs of the system are supported by the other component functions leaving database maintenance and management functions under this section. Functions supported by the database top-level function are:

Database Maintenance

Database maintenance tools shall be provided to maintain indexes, repair damaged indexes and compress the database. Database maintenance tools shall be able to be used only by personnel with system administration privileges.

Backup

Tools shall be provided to backup all or part of the database at scheduled intervals. The backup tools shall be able to be used only by personnel with system administration privileges.

Restore

5 Tools shall be provided to restore all or part of the database when required. Restoration of the database shall be limited to users with system administration privileges.

Archive

10 Tools shall be provided to archive and restore from archive database records prior to a nominated date. Archived records shall be able to be restored to the current database at any time without affecting the integrity of the current records. Archived records can be deleted from the current database, if required. The archive tools shall maintain a record of the archiving of records so that the user can identify the correct archive media for restoration or audit purposes.

15 Archiving shall include the imaging of documents or conversion of paper documents to electronic form or images.

Audit Trail

All major transaction events are to be logged in an audit trail table maintained as an integral part of the database. Each entry is to be stamped with the date and time. The
20 log file shall be able to be archived with other records based on the data time of the events. System administration users shall be provided with the facilities to view or print, but not amend, the audit trail records (current or from archive). The audit trail shall be saved in encrypted form only so that it cannot be amended or tampered with off-line using other software utilities. The text associated with each date-time stamped audit trail
25 entry shall be in plain English and shall include sufficient detail to allow the reconstruction of all events connected with the operation of the system. Preferably, the following events should be logged: User name logged on; User name logged off; Unsuccessful user log-on; Record creation by user; Record deletion by user; Record amendment by user; Start and stop of communications with all connected and external
30 systems. All messages concerning successful or failed data transfer to or from all connected and external Systems.

Database Security

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The EITS database shall have in-built security features via the DBMS software to control and monitor user access at the following levels: User and the database; Program and the database; Transaction and the database; Program and data field; User and the transaction; User and data field; Records of data changes are made; Access to data levels
5 is restricted by operational authorisations. Audit trails exist for the life of the data, which may be electronically accessed by both internal and external auditors.

Input Transactions

No input transactions will be generated from the database module. The inputs and
10 outputs from the other EITS modules will be the base for determining the database information storage and retrieval requirements.

Output Transactions

No output transactions generated from the database module.

15

Reports & Enquiries

No reports will be produced from the database module other than system reports to monitor and maintain the database structure and performance.

20 *Inter-Module Interfaces*

All of the EITS modules will interact with the database module to store and retrieve transactional and source master data.

Historical Analysis

25

Overview

The historical analysis module is a management information process that is designed to provide tailored information to the operational, financial and administrative management of multinational firms selling and buying tangible products across national borders. This
30 module is tailored to meet the specific needs of each client. It should include a browsing facility for a number of business units or affiliate offices and to filter out specific data that is confidential to particular company groups or levels. It can draw upon the full data

resources of the EITS Database to provide either pre-determined information screens which are periodically updated or to allow the user to interact with the database to re-order data to answer specific queries.

- 5 A major advantage of the system is its ability to present to the management user a wide selection of analysis reports already developed by experienced personnel. These numerous reports must be organised in a logical hierarchy to allow intuitive access by the business user. In addition, each analysis report must have an associated "balloon" explanation or drop-down text available to remind the user of the functionality of each
10 report.

- The reports shall be available for selection by designated management staff. The hierarchy of reports is as shown. When a report is requested, the current database shall be interrogated and the results extracted and presented to the user as a text as well as a
15 graphical report wherever possible. All of the reports shall be able to be refined between nominated dates selected by the user, unless stated otherwise.

- Analysis reports shall be able to be selected for output to the screen or to a nominated printer. Reports shall also be able to be output in a format suitable for direct import into
20 Microsoft Word, Excel or PowerPoint as appropriate. Charts and graphs, in particular, shall be able to be output to PowerPoint as one or more slides for presentation purposes. The ability for management to define and create there own reports needs to be incorporated. The use of an established off the shelf report writing package/tool should be used for this purpose. Included in this module is the ability to link to electronic
25 imaging software to capture and populate the database with historical information for review and analysis.

Functions

- Perpetual Transaction Index (minimum 15 years)
- Electronic storage and imaging of documents
- Archiving and retrieval functions for historic transactions
- Report Analysis of historic transactions based upon management defined criteria in addition to several standard defined reports.
- Retrieval of specific documents, specific transaction groups and ideally specific data

groups as defined by management

Input Transactions

No input transaction will be required for this module other than report selection criteria, as the source data for all reporting requirements should be able to be extracted directly
5 from information already stored in the EITS database.

Output Transactions

No output transaction will be generated from this modules, as the destination data for all reporting requirements should be able to be generated directly from information already
10 stored in the EITS database.

Reports & Enquiries

Functional reports required are as follows:

Product Data

15 An analysis of supplies by: Product code; Product; Shipments; Unit values
Landed Duty Paid into Store (LDPIS) over shipments;

Analysis of Costs: Duty per unit; Freight per unit; Other costs per unit delineated
by cost type.

Freight Data

20 Full containers (by value, number of shipments); Less than full containers (by
value, number of shipments); Freight costs by supplier (\$/cubic metre or tonne)
FCL/LCL; Freight costs by source (\$/cubic metre or tonne) FCL/LCL; Freight
incidents (delays, demurrage, storage).

Customs Data

25 Classification; Tariff concessions; Statistical code.

GST Deferred

Amount – local production / exports split

Executive Reports

Executive Summary of import shipments by supplier and/or between dates
30 (Summary of cost components; Customs value; Duty paid/payable);

Overseas freight and insurance costs; Aggregate value of shipments and value of biggest shipment to assess adequacy of insurance coverage; Foreign exchange rates used vs budget and amount of foreign exchange needs; Customs brokerage charges;

Freight and cost summary per port of origin and, optionally, between nominated dates

- 5 (Summarises cost components by overseas port of loading; Freight costs; Customs charges; Relates these to each port of loading both sea and air); Supplier Report (Summarises customs & overseas freight costs per supplier); Full Shipment Report (Itemised list of shipments, entries, costs, and ratios of costs to customs value of goods imported); Possible Classification & Tariff Concession Anomalies (Lists products which
10 when entered have been treated inconsistently in terms of: Tariff classification, Statistical code, and/or Tariff concession); Product Summary by generic description of goods (To facilitate analysis consolidates shipment details in terms of generic product descriptions); List of products imported during sample period (Lists import data sampled by customs entry description of goods).

15 *Strategic Reports*

Supply chain - (Suppliers strategic importance by: Volume; Product); Time (Duration from order to receipt (average, longest, shortest) by supplier and by terminal ports); Container contents, Are they full?;

- Finance - Cash out (Goods purchased (including credit terms); Duty;
20 Disbursements); Out / In cash cycle - lines of credit required; Foreign exchange requirements.

Inter-Module Interfaces

- The Historical Analysis module will interface directly with the EITS database as its
25 source for producing historic analysis reports for printing or review on screen.

Authority Interface Management

Overview

- 30 The Authority Interface Manager (AIM) will receive all data and transaction messages from third party authorities that impact on the underlying EITS system master data and

database. These changes maybe receive either electronically or manually depending on the country and authority that will provide the information.

5 The technical specialists will analyse these messages and determine the impact of the changes that they will have on the system before the change is enacted. Using the EITS, the specialist can then analyse the impact on the individual client databases and provide the required updates either via automatic linkages to the client's database or via patch updates. For example, Customs may issue a TCO on a tariff item changing the duty rate from 5% to 3%. When technical specialists receive this change from Customs (via
10 EITS), they will analyse it, and notify all impacted users of the effect it may have on customs transactions in progress for duty drawback claims, before the change is enacted. It will also track all changes, such that a historic audit log of change dates and rates is stored for future reference.

15 The AIM will also control remote access to EITS by authorised technical specialist who may be required to update master data remotely or help to resolved problem transactions. The AIM will also control remote access by Customs or the ATO should they require access to data to audit the companies Customs transactions remotely. Preferably, the AIM provides a URL link to the Authority source of the underlying data
20 reference.

The Module Function Flowchart is shown in figure 5. The ATO 500, Customs 505, ABS or other authorities 510 and AQIS 515 can transmit tariffs, AQIS, ATO, changes information 520 to the authority interface manager 525. The authority interface
25 manager 525 can provide a change report 530 or online message 535. The authority interface manager 525 effects the updates 540 of the EITS master database 545. Information is received from the updates step 540, the EITS master database 545 and the client database 550 to enable a compare changes and impact on client database step 555. The step 555 can then lead to export review approval 560 and update information 565
30 being transmitted to the client database 550.

Functions

| No | Event | Function | Perform by |
|----|--|---|-------------|
| 1 | Maintain compliance information | Receive compliance changes from Customs, AQIS, ABS, other authorities | System/User |
| 2 | Receive Exchange rates | Receive exchange rates from customs or other sources on a daily basis to determine customs shipment value in \$A. | System |
| 2 | Receive permit updates | Create, modify or delete permit requirements, quotas or Imported Food Inspection Program requirements or other requirements | User |
| 2 | Receive dumping information | Record dumping action information against imports | User |
| 2 | Check updates | Check for and log attempted duplicate entries, eg manually then electronic | System |
| 3 | Analyse change impact | Analyse impact of compliance change on system | System |
| 4 | Update permit requirements | Enter new permit requirements against products and modify related events | System/User |
| 4 | Update EITS with compliance changes | Implement compliance change in EITS master database | System/User |
| 4 | Maintain tariff information | Apply tariff changes from customs to tariff items | System |
| 4 | Maintain Concessional instrument information | Apply TCO and by law Concessional instrument information changes | System |
| 5 | Compare clients database | Compare changes in EITS database to client database | System |
| 6 | Analyse change impact | Identify impact of tariff changes on: Import transactions Export transactions Duty drawback transactions Valuations and rules of origin | System |
| 6 | Specialist review of changes | Expert review and approval of impact of change on clients database | User |
| 7 | Generate database update | Generate automated client updates and forward via automatic interface updates or via patch updates | System |
| 8 | Monitor compliance changes | Log/Monitor compliance changes | User |
| 9 | Maintain contact details | Maintain compliance authorities and other contact details | User |

Input Transactions

| Event | Input | Source | Electronic or Manual | Frequency |
|-------|-------|--------|----------------------|-----------|
|-------|-------|--------|----------------------|-----------|

| | | | | |
|---------------------------------------|---|---------|----------------------|--------|
| Weekly polling to Customs for updates | TCO, By - Laws, Valuation rules, rules of origin, or other requirements | Customs | Electronic or manual | Weekly |
| Daily polling to Customs for updates | Exchange Rates | Customs | Electronic or manual | Daily |
| Weekly polling to Customs for updates | Tariff Item amendments | Customs | Electronic or manual | Weekly |
| Weekly polling to AQIS for updates | AQIS requirement updates | AQIS | Electronic or manual | Weekly |
| Weekly polling to IFIP for updates | Import Food Inspection Program updates | IFIP | Electronic or manual | Weekly |

Output Transactions

| Event | Output | Destination | Electronic or Manual | Frequency |
|-------------------------------|--|---------------------------|----------------------|-----------|
| Approval of impact for update | Automatic update to product tariff and duty rate, valuation rules, rules of origin or other requirements | Product master file | Electronic | Weekly |
| Approval of impact for update | Automatic update to product AQIS requirements | Product master file | Electronic | As need |
| Approval of impact for update | Automatic update to product quarantine requirements | Product master file | Electronic | As need |
| Approval of impact for update | Automatic update to exchange rates | Exchange rate master file | Electronic | Daily |

Reports & Enquiries

- 5 The AIM module will need to produce the following reports: Audit log of remote user access including files accessed and updated; Log of updates received for processing; Pre-approval log of the impact the updates will have on the underlying system; Approval log of authorised user approval of updates for enacting to the system.

10 *Inter-Module Interfaces*

The AIM can interface with the communications manager to receive updates and the EITS database to processes and update changes.

Trade Compliance – Imports

Overview

5 The EITS Imports module should process Import transactions for periodic Customs settlement in Australia (or any other country) from source data in the EITS Database and transactions interfaced from ERP system and third party information providers. It will also need to be able to produce customs entries for lodgement on a transactional basis in a manual or electronic form to meet the different Country specific Customs requirements. The import transactions should be generated automatically based upon transaction rules and events pre-determined from the relationships between prescribed data elements within the database and data set-up by EITS experts. The module shall contain all of the algorithms for automatic duty calculation and customs clearance including GST deferral and disbursement charges. The modules must be designed to ensure periodic entries are lodged in the format and manner prescribed by legislation, AQIS, ABS and other authority data requirements extracted for import shipments received during the period of the return. This section outlines the process envisaged by EITS to produce a periodic customs entry. The importation function processes and events need to be recognise with the requirements of Customs Legislation that has as its basic aim the modernisation of Customs practice in a number of areas.

The Module Function Flowchart is shown in figure 6. As illustrated in figure 6, a purchase order (PO) from the ERP system is automatically transmitted, or entered manually, at step 600, and an EITS GST export entry is received from an overseas subsidiary at step 605. This information 601 is captured into the EITS database (DB) 608 via step 610. After step 610 the step 615 checks supplier details and product details to ensure correct set-up in the EITS DB 608. Following is step 625 used to create an initial import record from PO details which is recorded as an import record transaction 628. Next is a capture invoice into EITS step 630 which utilises an invoice from ERP system 635, details being stored in the EITS database 608. Step 640 matches invoice to PO and updates import record transaction 628. Step 645 provides for capture bill of lading or AWB into EITS via bill of lading or AWB from freight forwarder information

650, details being transmitted to the EITS database 608. The next step 655 is to match bill of lading or AWB to the PO, invoice and update import records, and customs entry in the import record transaction 628. Step 660 uses a packing list from the supplier 665 to capture the packing list into EITS and store details in the EITS database 608. Step 5 670 matches the packing list to the PO, invoice and updates import records in the import record transaction 628. Information from the EITS database 608 is used in step 675 to update customs transactions with static product and tariff information. Step 680 verifies and calculates duty. Step 685 generates import compliance information for clearance and duty, which then allows transactional goods clearance 690 and lodgement of a 10 periodic duty report 695.

The Import Module Document Process Flow is shown in figure 7. As illustrated in figure 7 the imports module 700 is shown at the centre of the general process flow. The imports module 700 transmits information 705 such as duty, GST, disbursements, 15 freight and other costs to the ERP system 710. The ERP system 710 in turn transmits information 715 such as purchase orders, invoices, product and supplier details to the imports module 700. The imports module 700 also communicates with a carrier (sea/air) 720 by sending goods release notification 706, the carrier 720 transmits information 725 such as arrival notices, transportation documents, AWB, BoL and 20 freight costs to the imports module 700. A supplier 730 transmit information 735 such as invoices, packing lists and transport documents to the imports module 700. The imports module 700 transmits information 707 such as importation record transaction data to the EITS database 740, which in turn can transmit information 745 relating to products, tariffs, TCO, by laws, supplier details and data relationships. Customs, AQIS 25 and ABS 750 is provided with information 708 relating to requests for cargo release (RCR), periodic duty payment, AQIS compliance and ABS statistics via the imports module 700. Customs, AQIS and ABS 750 provide the imports module 700 with information 755 concerning the receipt of payment notification. The imports module 700 also communicates with a freight forwarder, shipping Co. and/or airline 760 by 30 transmitting information 709 relating to the notification of charges and payments. Information 765 relating to port charges, AWB, BoL and freight costs etc. originates from any of the entities in group 760 and is transmitted to the imports module 700.

Functions

| No | Event | Function | Perform by |
|----|--|--|-------------|
| 1 | Create and maintain source data | Create, maintain and verify operational data for products, tariffs, suppliers etc used to generate customs import records | User |
| 1 | Establish Tariff Items | Import Tariff items relevant to the clients imported product range | System/User |
| 1 | Establish Concessional Instruments | Set up TCO and by law instruments relevant to the imported product range | System/User |
| 1 | Establish Product | Link each unique product type to the correct tariff item, Concessional instrument and overseas supplier to establish the valuation base for local suppliers. | System/User |
| 1 | Establish and maintain suppliers | Identify and maintain the details of the commercial relationship between the overseas supplier and client imported for details not included in clients ERP system | System/User |
| 1 | Establish Product Master file | Automatic Product Classification for repetitive import items and access to technical specialists for classification of new product items | System |
| 1 | Maintain Standard Import charges | Establish a checklist of mandatory charges/information required to be attached to an entry at various stages of processing | User |
| 1 | Maintain standard import charges by supplier | Set up supplier flags to identify to the system the various charge relating to a shipment that need to be obtained to complete the shipment and value for duty calculation | User |
| 1 | Maintain valuation method | Determine valuation base for customs using trading terms to value the goods. | User |
| | | (refer Authority Interface Management and Master Data Maintenance for all the above) | |
| 2 | Initial creation of customs record | Record import event, via generation of overseas purchase order or receipt of export entry from EITS used by associated group company, and create initial customs record. | System |
| 2 | Initial creation of customs | Receive overseas invoice from ERP system and compare to purchase order and | System |

| No | Event | Function | Perform by |
|----|----------------------------------|---|---|
| | record | generate/populate initial customs record | |
| 3 | Check product import compliance | Check import compliance for AQIS, hazardous and flammable goods requirements by product/date, or other compliance from product information set up in EITS DB and report any requirements (ie Permit required or sample required to be taken) | System/User |
| 3 | Receive commercial documentation | Receive commercial details of the imported documents from the clients ERP system or other source. | System |
| 3 | Extract Invoice Details | Capture and validate invoice details and ensure that the products listed on the invoice exists for the particular overseas supplier | System/User |
| 3 | Confirm import entry compliance | On-line confirmation of import compliance with Customs, AQIS and other regulations and requirements, including specific country specific, procedures, tariffs, laws and administrative rulings, embargo/boycott status, and preferential programs. To be performed by technical specialist as part of the product set up (refer Authority Interface Management and Master Data Maintenance) | System/User |
| 3 | | Maintain and monitor import quota restrictions and constraints for imported products (refer Authority Interface Management) | System/User |
| 3 | | Create a link to freight forwarder, shipper or airline carrier system to enable tracking and tracing of shipment location | User |
| 4 | Source import documentation | Source customs required information for transportation information, AWB, BoL, freight costs, other charges, arrival notice from freight forwarder or shipper or airline to complete customs record and record associated charges | System/User. Either electronically or input into EITS |
| 4 | Extract Shipment Bill Details | Capture bill shipment details for customs and valuation purposes from freight forwarder, shipping company or airline electronically. | System |
| 4 | Assess Vessel Arrival | Determine the date of first arrival in Australia and the date of discharge for a shipment electronically from arrival notice or ERP system | System/User |

| No | Event | Function | Perform by |
|----|---|---|-------------|
| 5 | Lodge required Customs documentation | Generate Authority compliance data (ie RCR report) to enable goods release by customs. | System |
| 5 | Calculate duty payable | Maintain and calculate duty/GST/VAT/other taxes, fees and service charges (multi-currency) | System/User |
| 5 | Calculate Landed Unit Cost | Automatic calculation of the total landed cost, including duties, GST and all other relevant customs charges in real time for inclusion on the customs entry | System |
| 5 | Create Customs Entry | Create customs entry using the captured information in the format specified by customs for the lodgement of the appropriate customs entry | System/User |
| 5 | Create ex warehouse entry | Create a customs entry for the removal of products from a warehouse , and update and reconcile the original warehouse entries for bonded warehouses and transfers between bonded and duty free stores | System |
| 5 | Value Shipment | Establish the correct value of the shipment for Customs purposes. | System |
| 5 | Enter disbursement and service cost details | Capture and entry of disbursement and service charge cost information | System/User |
| 5 | Validate product data for duty calculation | Check if goods are covered under a TRADEX order to allow zero duty calculation | System |
| 6 | Lodge customs/ payment entry | Lodge with Authorities import entry data, duty/GST/VAT/other taxes, fees | System |
| 6 | Send import statistics to ABS | Import Statistics | System |
| 6 | Submit customs record | Automatic generation and submission of the required importation documents for the company to customs, if required | System |
| 6 | Record transaction details in Database | Reports detailing all import transactions. The system will need to maintain detailed logs for customs compliance programs and serves as a repository of trade data for customs auditing purposes. | System |
| 6 | | Receive outturn report from freight forwarder/carrier to identify discrepancies between invoice quantity and actual quantity received for adjustment of import duty payable | System |

| No | Event | Function | Perform by |
|----|---|--|-------------|
| 7 | Notify carrier for goods collection | Initiate goods ready for collection notification to carrier and ERP system | System/User |
| 8 | Pay duty and related charges | Pay duty/GST/VAT/other taxes, fees – by transaction or periodic via ERP system | System |
| 8 | Pay freight and other associated charges | Third party payments (service charges) processing | User |
| 9 | Verify payments | Record other fees and changes paid | User |
| 10 | Month end entries to ERP | Generate accrual journal entry of expected outstanding fees and charges for importation charges to ERP system | System |
| 11 | Analyse charges per shipment | Import fee analysis | System/User |
| 11 | Create and submit journal entries to ERP system | Through integration with ERP transaction systems, EITS will process journal entries for the collection and payment to customs departments for duty and taxes, AQIS and other suppliers for service fees and charges. | System |
| 12 | Monitor importation record status | Importation Status control through importation events | System |
| 12 | Identify and process adjustment entries | Process adjustments or refunds for payment/refund from customs or submission of adjustment entry to customs | User |
| 13 | Monitoring | Allow for tracking of payment of duty under protest | System/User |

Input Transactions

| Event | Input | Source | Electronic or Manual | Frequency |
|------------------------------------|---|---------------------|----------------------|-----------|
| Initial creation of customs record | Export entry from associated company using EITS | System of affiliate | Electronic | Real time |
| Initial creation of customs record | Purchase Order | ERP system | Electronic | Real time |
| Initial creation of customs record | Supplier Invoice | ERP system | Electronic | Real time |
| Initial creation of customs record | Product details | EITS DB | Electronic | Real time |
| Initial creation of customs | Tariff details | EITS DB | Electronic | Real time |

| | | | | |
|---|--|------------------------------|----------------------|-----------|
| record | | | | |
| Source import documentation | Bill of Lading or air way bill | Freight forwarder | Electronic | Real time |
| Initial creation of customs record | Supplier details | ERP system | Electronic | Real time |
| Maintain product details | New product details | ERP system | Electronic | Real time |
| Maintain ABS reporting requirements | Product Statistical Codes (part of tariff data) | ABS | Manual or Electronic | Real time |
| Maintain tariff details | Tariff, duty rate updates | Customs | Electronic | Real time |
| Maintain TCO, by-law details | TCO, By-law, duty rate updates | Customs | Electronic | Real time |
| Maintain valuation details | Valuation details | Customs | Manual | Real time |
| Enter disbursement and other associated costs | Disbursement and other associated cost invoices | Freight forwarder or Carrier | Manual or Electronic | Real time |
| Receive clearance from customs | RCR approval | Customs | Electronic | Real time |
| Receive ship arrival notice | Ship Arrival Notice from daily commercial news or Endeavour system | Freight forwarder or carrier | Manual or Electronic | Daily |
| Receive freight invoice | Freight Invoice | Freight forwarder or carrier | Manual or Electronic | Daily |
| | Outturn report | Freight forwarder | Electronic | Daily |

Output Transactions

| Event | Output | Destination | Electronic or Manual | Frequency |
|----------------------------------|--|-------------|----------------------|-----------|
| Lodge import record with customs | Customs clearance lodgement on transactional basis | Customs | Electronic | Real time |
| Lodge import record with customs | Customs lodgement duty entry for periodic entry | Customs | Electronic | Real time |

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| | | | | |
|---|--|---------------|----------------------|-----------|
| Lodge import record with customs | Update to completed customs entry register | EITS database | Electronic | Real time |
| Lodge import record with customs | Importation statistics | ABS | Electronic | Real time |
| Pay Duty Charges | Periodic Duty payment | Customs | Electronic | Real time |
| Pay disbursement s costs | Disbursement payment journal | ERP | Electronic | Real time |
| Pay duty charges | Duty payment journal transaction | ERP | Electronic | Real time |
| Lodge RCR | Product and Lodge RCR with Customs | Customs | Electronic | Daily |
| Notify carrier goods are ready to collect | Transportation Instructions | Local Carrier | Manual or electronic | Daily |

Reports & Enquiries

- Status of periodic Customs Entries; Monthly summary of Periodic Duty & GST charges payable; Monthly GST deferral report; Summary of costs build up in landed unit cost calculation; Analysis of Landed unit costs against ERP system standard cost; Analysis of freight costs; Analysis of other disbursement costs; Analysis of importation transaction anomalies and variances.

Inter-Module Interfaces

- The Trade Compliance – Imports module interfaces with: Master data management for database; Operational System Interface to source data from the ERP system; Communications Manager to receive/send third party transactions; Authority Interface Manager to receive updates to database master files for changes to Tariff items, duty rates, TCO, By-laws, etc; Events Manager.

Trade Compliance – Exports*Overview*

The Trade Compliance Exports module will be designed to process the requirements of Customs, AQIS and other Authorities in relation to the exportation of goods from Australia. The Exports module should be able to do this automatically through interfaces with the client's ERP system to source transactional data and the data set-up in the EITS database. It should be able to interact with Customs and pass/receive information from the freight forwarder on an as needs basis. The module must be designed to ensure export transactions are lodged in the format and manner required by Customs. Incorporating both AQIS and ABS data requirements extracted from export shipments.

The exportation function processes and events need to be in accordance with the requirements of any Customs Legislation. The trade compliance exports flowchart is shown in figure 8. As illustrated in figure 8, the step 800 relating to gathering initial export entry details obtains information 805 regarding sales orders, dispatch note or inventory movement information 806, purchase order from overseas customer information 807, and/or EITS database information 808. Transaction 810 regarding export event transactions and/or step 820 regarding applying for an ECN from customers then follows. An ECN is obtained in the flow of events as shown at 825. Step 830 relating to updating export event and EITS database makes use of sale invoice information 835 from the ERP system. This then updates the export event transaction 810 and the EITS database 840. Step 845 submits commodity details to Customs, including ABS statistics, this is illustrated by commodity details 850. Step 855 updates an export event producing the export event transaction 810. Step 860 requests a ship or other goods carrier from the freight forwarder. Step 865 updates the EITS database 840 with AWB, bill of lading information 870 from the freight forwarder.

The exportation module information flow is shown in figure 9. The exportation module 900 is illustrated at the centre of information flow in figure 9. The exportation module 900 sends information 901 relating to request to ship, dangerous or inflammable goods notice etc. to the group 910 (freight forwarder, shipping company, airline). The group

910 in turn can transmit information 911 relating to airway bill, bill of lading, booking confirmation etc.. The exportation module 900 obtains information 921 relating to product details, classification, regulatory compliance, export import restriction based on customs, country or products from the EITS database 920. The exportation module 900 transmits information 902 relating to ECN and export record transactions to the EITS database 920. The ERP system 930 transmits information 931 relating to export sales order, export sales invoice, customer details and goods dispatch note etc. to the exportation module 900. Customs and ABS 940 provide the exportation module 900 with information 941 regarding ECN, and receive information 903 relating to export entry, ECN, commodity details and export statistics from the exportation module 900.

Functions

| No | Event | Function | Perform by |
|----|--|--|-------------|
| 1 | Check if there are any export/import compliance requirements | Import compliance check by product/date (not Australia). To be performed as part of product set-up maintenance by technical specialists to ensure rules, regulations on export / import are defined by customer, country and product. With requirements for inspection, permits or quotas identified to the user at time of export | System/User |
| 1 | Verify source export data | Verify Operational data in EITS database used to generate export event | System |
| 1 | Maintain master data | Maintain export event required customer details | User |
| 1 | Maintain master data | Maintain export product details | User |
| | | (refer Authority Interface Management and Master Data Maintenance for all the above) | |
| 2 | Register exporter | Register exporter as an ACEAN for accredited clients | User |
| 3 | Initiate creation of ECN | Identify export event and capture initial export data in EITS (from ERP system or manually) | System/User |
| 3 | Initiate creation of ECN | Receive export sales invoice from ERP system and update export record. | System |
| 4 | Generate export entry information | Generate Export document ECN and commodity details for submission to Customs | System |
| 4 | Calculate & | Maintain, calculate and lodge with | System/User |

| No | Event | Function | Perform by |
|----|--|--|--------------|
| | export duty taxes, cost and fees with Customs | Authorities duty/taxes/fees and service charges if applicable. Based on INCOTERMS (ie FOB or CIF) | |
| 4 | Created under bond export entry | Create export entry for items under bond | System |
| 4 | Generate commodity details | Generate required commodity details for submission to customs | System |
| 5 | Lodge export ECN and commodity details | Lodge with Authorities export entry data | User/System |
| 5 | Submit ABS statistics | Submit Export Statistics to ABS | System |
| 6 | Receive ECN from customs | Receive ECN number from Customs and update export record in EITS database | System |
| 7 | Request ship to carry cargo | Lodge export document notification (Consignment Booking) with Freight forwarders or Carriers | System |
| 7 | Generate and submit permits or quota compliance as required | Generate Trade and settlement documentation management (as required by statutory authorities) using a standard form generator system | System/ User |
| 7 | Notify carrier of dangerous or flammable goods handling requirements | Dangerous hazardous and inflammable goods handling in standard format as part of forwarding instructions to be sent to freight forwarder / carrier | System |
| 7 | Request ship to carrier cargo | Generate letter requesting ship from freight forwarder/ carrier, shipper or airline. | System |
| 7 | Send forwarding instructions | Send forwarding instructions to freight forwarder / carrier/ airline to enable preparation of the airway bill or bill of lading | System |
| 8 | Pay export duty to customs | Pay taxes/fees (multi-currency) – by transaction or periodic – if applicable for overseas countries. | System |
| 8 | Receive shipping documents | Receive airway bill or bill of lading from freight forwarder / carrier | System |
| 8 | Receive shipment booking confirmation | Receive shipment booking confirmation from freight forwarder/ carrier | System |
| 10 | Analyse export fees | Export fee analysis | System |
| 10 | Calculate export | Calculate total export product costs | System |

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| No | Event | Function | Perform by |
|----|---|---|-------------|
| | costs by product | | |
| 10 | Monitor and Review Export information | Management information | System |
| 10 | Monitor export record | Monitor status of exportation event | System/User |
| 10 | Monitor shipment location | Link to freight forwarder/carrier/shipper/airline system to track and trace shipment | System |
| 11 | Create and submit journal entries to ERP system | Through integration with ERP system, EITS will process journal entries for export event to the ERP system | System |

Input Transactions

| Event | Input | Source | Electronic or Manual | Frequency |
|--|---------------------------------------|------------------------------------|----------------------|-----------|
| Initiate creation of ECN | Export sale Invoice | ERP system | Electronic | Real time |
| Create ECN | Export product/Commodity Details | EITS database | Electronic | Real time |
| Initiate creation of ECN | Export sales order | ERP System | Electronic | Real time |
| Confirmation of ECN number from customs | ECN from Customs | Customs | Electronic | Real time |
| Ship booking confirmation | Booking Confirmation number | Freight Forwarder/shipper/ airline | Electronic | Real time |
| Initial notification of shipping details | Pro-forma Bill of lading/ Airway Bill | Freight forwarder/shipper/ airline | Electronic | Real time |
| Confirmation of shipping details | Final Bill of lading/airway bill | Freight forwarder/shipper/ airline | Electronic | Real time |
| Confirmation of payment of | Remittance advice | Freight forwarder/shipper/ airline | Electronic | Real time |

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| | | | | |
|--------------------------------------|--|---------------|--------|---------|
| export charges | | | | |
| Maintain goods handling requirements | Dangerous and hazardous goods standard forms | Customs, AQIS | Manual | As need |

Output Transactions

| Event | Output | Destination | Electronic or Manual | Frequency |
|-------------------------------------|--|---|----------------------|-----------|
| Lodge export entry | Application for ECN | Customs | Electronic | Real time |
| Lodge export entry | Commodity Details | Customs | Electronic | Real time |
| Request ship from freight forwarder | Consignment booking requesting freight forwarder to book a ship to carry the goods | Freight Forwarder/shipper/ airline | Manual | Real time |
| Request ship from freight forwarder | Forwarding Instructions | Freight Forwarder/shipper/ airline | Electronic or manual | Real time |
| Lodge export entry | Record export entry | EITS database | Electronic | Real time |
| Pay export associated charges | Payment order | Bank | Electronic | Real time |
| Submit export statistics | Export Statistics | ABS | Electronic | Real time |
| Comply with AQIS requirements | Generate permits or quota standard documentation | AQIS Customs / | Electronic | As need |
| Generate forwarding instructions | Generate hazardous or dangerous goods standard documentation | Freight forwarder /shipper/ airline customs / | Electronic | As need |

Reports & Enquiries

- 5 On-line monitor of export entry status; Summary of export entries lodged.

Inter-Module Interfaces

The exportation module interfaces with the following modules: Master data management for database; Operational System Interface to source data from the ERP system; Authority interface manager; Communications Manager to receive/send third party transactions; Events manager.

5

Reference Sources

Definition of terms

| | |
|-----------------------------------|--|
| Booking Confirmation | Confirmation of ship booking from Freight forwarder |
| Forwarding Instruction | The forwarding instruction contains all information necessary to enable the line to prepare the Bill of Lading or Waybill. It is also the primary source for the vessel's cargo manifest, and is therefore used for Customs clearance purposes in overseas ports |
| Pro forma Bill of Lading/Way bill | This confirms the 'offer' of shipment terms. The message in fact includes all the information currently included on the 'face of a bill of lading or airway bill. |
| Remittance Advice | Advises the shipping line that a payment has been authorised into the carrier account. It is triggered by payment order to the exporters bank account, and is transmitted by the exporters bank to the carrier |
| Final Bill/Way bill | This is issued by the carrier after it had received the payment from the exporter |

Duty Drawback Management

10

Overview

The purpose of Duty Drawback management modules is to provide a means of producing a duty drawback claim to enable exporters to recover the embedded duty in exported materials, components and products (paid on imported materials, components and products used) in a cost effective and compliant manner. The module shall use the EITS database warehouse and information already captured from the Exportation and Importation modules to automatically produce a compliant duty drawback claim. The modules needs to be designed to accommodate claiming of duty drawback on the following: direct imports and exports; direct imports manufactured into another product and then exported; product purchased from local third party suppliers that were imported and/or manufactured into another product and then exported.

20

The modules should incorporate a mechanism to allow the user to select one of the three duty drawback methods for calculation of the duty drawback claim. The Duty Drawback scheme enables exporting companies to obtain a refund of Customs Duty paid on imported goods where those goods will be treated, processed or incorporated in other goods for export or are exported unused since importation. Duty Drawback can only be claimed after goods have been exported. Claimants are not required to submit documents with their application but, if requested, should be able to provide evidence that goods subject to claim have been originally duty paid, not used in Australia and exported. Duty Drawback is not payable unless the exporter notifies Customs of both an intention to claim drawback and gives a pre export notification prior to actually exporting goods.

Duty Drawbacks are processed on the basis of self-assessment. The amount of duty to be drawn back may be calculated, at the option of the claimant, on: a shipment by shipment basis; a representative shipment basis; or by imputation. The imputation method is used where import documents are generally unavailable and allows the basis on which to calculate Duty Drawback to be 30% of the purchase price of the goods. This option can only be used where goods are fully imported and have been purchased in Australia by the exporter. This section describes the duty drawback scheme, but should be read in conjunction with the Tradex section in this document.

20

The three methods for Duty Drawback include:

| Method | Description | Formula |
|--------|--|--|
| A | Shipment by Shipment, where the claim amount is calculated from the import documents which directly relate to the export consignment | Export quantity * Export component quantity * import unit value for duty * duty rate |
| B | Representative Shipment, under this method the duty content per export commodity is calculated from representative shipments, for example: the duty in imported components or commodities included in a drawback claim may be determined from a single "representative" shipment or by taking an average over a number of shipments, rather than by reference to each import transaction | Export quantity * Export component quantity * import unit value for duty * duty rate |
| C | Imputation, is the method of assessment by | Export quantity * Export |

| Method | Description | Formula |
|--------|---|---|
| | <p>which claimants unable to obtain import documents in relation to imported goods purchased from an Australian Supplier. In these circumstances the Customs value may be imputed based on 30 per cent of the price from the supplier. The relevant rate of duty is then applied to the imputed Customs value to determine the amount of drawback payable.</p> <p>This method is restricted to fully imported goods purchased in Australia by the exporter.</p> | $\text{component quantity} * 3^{\text{rd}} \text{ party purchase price} * 30\% \text{ duty rate}$ |

Figures 10 and 11 illustrate the process required to produce a duty drawback claim for direct or indirect import. Illustrated in figure 10, step 1000 registers a client and produces a customs form 1010. Step 1015 requires communication with the EITS database 1020 enabling an analysis of source duty drawback information. Step 1025 selects the period for the duty drawback claim. Step 1030 requires a selection of the duty drawback method, the choices being illustrated as option: A 1031 requiring step 1040 to match exports to imports on a FIFO basis; B 1032 requiring step 1045 to match exports to a representative import; or C 1033 requiring step 1050 to match exports to indirect imports. Step 1055 flags eligible products for a duty drawback claim. Step 1060 produces a summary duty drawback claim report 1065 for review. Step 1070 adjusts summary duty drawback claim if required. Step 1075 prints the duty drawback claim 1080 and supporting duty drawback information 1085.

In figure 11 the duty drawback module 1100 communicates notification of claim payment and duty drawback claim information 1101 to Customs 1110. Information 1121 relating to bill of material and locally purchase product details is obtained by the duty drawback module 1100 from the ERP system 1120. The duty drawback module 1100 transmits information 1102 relating to recording of duty drawback claim transactions to the EITS database 1130, which in turn provides information 1131 relating to import details, export details and product details to the duty drawback module 1100.

Functions

| No | Event | Function | Perform by |
|----|---|---|-------------|
| 1 | Determined agreed drawback method | Negotiate drawback foundation with Customs in the first instance for 3 rd party imports including approval of calculation method | User |
| 1 | Register Client | Prepare and submit duty drawback registration form with Customs | User |
| 2 | Identify eligible exports for duty drawback | Identify export entries that are eligible for duty drawback | System |
| 2 | Select eligible imported items for duty drawback | Select period for which exported items are to be captured for matching with imported items for drawback claim (only exports within 12 months from date of export) | System |
| 2 | Determine import to export factor | Calculate drawback usage factor for export sales compared to home consumption on imported items | System |
| 2 | Maintain export products | Maintain indicators in ERP system product file to identify if products are imported directly or through a 3 rd party that contain duty. | User |
| 3 | Define drawback method | Select method to be used for preparing duty drawback claim Allow for the calculating of duty drawback and matching of import and export entries based upon 1 of the 3 defined methods. | User |
| 3 | Verify export, import transactions to be used in drawback calculation | Operational data verification | System |
| 3 | Calculate duty drawback claim | Calculate duty on imported materials at time of import (own, or purchased item duty/allowance) | System |
| 3 | Create source data for duty drawbacks | For new clients scan in duty drawback import and export entries via scanning software for database population and drawback calculation | User |
| 4 | Process 3 rd party indirect imports | Capture or key in 3 rd party purchases that have been indirectly imported for calculation of indirect duty claim | System/user |
| 5 | Determined eligible imported products for | Obtain included imported products to build Export Bill of Components | System |

| No | Event | Function | Perform by |
|----|---|--|------------------------------------|
| | duty drawback | (by extraction from ERP system Bill of Materials). (refer master data maintenance and operational system interface | |
| 5 | Identify eligible exports for duty drawback | Matching export entries to import entries via BOM Distinguish between exports and imports eligible for duty drawback and those already covered under a Tradex Order. | System |
| 6 | Lodge duty drawback claim | Electronic or manual Lodgement of duty draw back claim with customs | System /User |
| 6 | Produce Duty drawback claim | Automatic compilation and printing of a duty drawback claim in a compliant form Edit and validation checking of source information and claim form Produce duty drawback supporting documentation | System System/user System |
| 7 | Payment of Claimed duty drawback | Allow for recording of successful claims lodged and date payment received. (optionally from ERP system) | System |
| 7 | Claim Monitoring & Adjustments | Prepare a duty drawback claim reconciliation Allow for adjustments to claims lodged, including reasons for adjustment. Highlight and report changes to importation or exportation entries that affect a duty drawback claim previously lodged Tracking duty drawback claims | System User System System |
| 7 | Maintain Customs queries | Log communications with customs in relation to approval and submittal of duty drawback claim and any resulting adjustments | System/User |
| 7 | Drawback adjustments | Maintain and process adjustments to duty drawback claims for re-submission to customs | User |
| 8 | Track drawback claims | Flag imports and exports entries where we a duty drawback claim has already been lodged | System |
| 8 | Reconcile drawback claim | Reconcile duty drawback claims with imports and exports and maintain a claim history | System |

Capturing Historical Duty Drawback Information for New Clients

- For new clients that implement the EITS there is an opportunity to process a duty drawback claim based on their previous 12 months of exports. However as the source information required to process the duty drawback claim has not been captured, and is in
- 5 a paper form, the process/mechanisms will need to be incorporated into the system: Obtain from customs a down load of the clients previous 12 months export ECN entries; Obtain from customs a down load of the clients previous 2 years import entries; Obtain from the client a down load of their previous 12 months export invoices; Obtain from the client a down load of their Export Components (Bill of Material) for exported items;
 - 10 For local suppliers send them a letter requesting details on the products that we purchase from them, in relation to if they are imported or not and what is the duty rate on the imports; Manually match the ECN to the export invoices; For all exported products on the export invoice, use the Export Components to explode out the quantity of imports contain in the export invoice for both direct and indirect imports; Match the import
 - 15 components to the import entry; Select the most appropriate duty drawback claim method and prepare the duty drawback claim.

Input Transactions

| Event | Input | Source | Electronic or Manual | Frequency |
|--|---|----------------------------|----------------------|-----------|
| Identify eligible exports for duty drawback | Export Entries | Database | Electronic | 3 months |
| Identify eligible imports for duty drawback | Import Entries | Database | Electronic | 3 months |
| Identify eligible indirect imports for duty drawback | Indirect material imported customs value and duty rates | ERP system | Electronic /Manual | 3 months |
| Identify eligible indirect imports for duty drawback | Indirect material purchase cost | ERP system | Electronic /Manual | 3 months |
| Produce duty drawback claim | Customs Duty Drawback Claim | Customs Claim form | Electronic | Once |
| Register client | Drawback Registration Form | Duty Drawback registration | Electronic | Once |

| | | | | |
|----------------------------------|---|---------------|------------|---------|
| Payment of claimed duty drawback | Payment Advice | Customs, Bank | Electronic | As need |
| Claim query from customs | Customs request for more information on duty drawback claim | Customs | Manual | |

Output Transactions

| Event | Output | Destination | Electronic or Manual | Frequency |
|-----------------------------|---|-------------|----------------------|-----------|
| Produce duty drawback claim | Duty drawback claim summary information and particulars on which duty drawback is claimed | Customs | Electronic | 3 months |
| Register Client | Completed drawback registration form | Customs | Electronic | 3 months |
| Claim query from customs | Response to customs on duty drawback claim query | Customs | Manual or Electronic | |

5 *Reports & Enquiries*

Listing of all export sales by ECN number and invoice number; Listing of manufactured parts broken up by export part number, detailing the BOM part numbers, quantity used to product 1 export part, number of export parts exported, expanded import parts; Reconciliation registers and reports including duty drawback claims lodged, adjusted and paid containing value and reasons; Display exports containing imported products eligible for duty drawback; Display imports used in exported products; Facility to list and highlight entires for which a duty drawback is to be claimed.

Inter-Module Interfaces

15 The following EITS system modules interface with the duty drawback module: Operational System Interface; Communications Manager; Master data maintenance; Events Manager; Authority Interface Management; Trade Compliance – Imports; Trade Compliance – Exports.

Tradex Order Management

Overview

The Tradex Order management module is designed to provide a means for multinational firms to apply for and maintain information required to comply with the Tradex Scheme. The Tradex Scheme provides relief to persons or organisations via an up-front exemption from Customs duty and GST on imported goods intended for re-export or to be used as inputs to exports. The Scheme removes the need to 'drawback' these taxes after export. Customers are required to complete an application form for entrance into the Scheme. Upon approval, appropriate record keeping by customers is an essential requirement of holding a Tradex order. Records will contain full particulars of the entry of the goods for home consumption and all subsequent dealings with, and things done in respect of, the goods by the holder.

Appropriate record keeping by customers is an essential requirement of holding a Tradex Order. Records must be kept in Australia for a period of five years and they must contain full particulars of the nominated goods in respect of: their importation and entry for home consumption; (or the importation RCR event); all subsequent dealings with, and activities undertaken in respect of, the goods including incorporation in other goods, consumption or use, disposal, or other dealings; their export; any payment of Tradex duty that may become payable. Upon presentation of an approved Tradex Order, a free rate of Customs duty and an exemption from GST is set by the ACS allowing the approved Tradex customer to clear the goods without payment of duty and tax. This section describes the Tradex scheme, but should be read in conjunction with the Duty Drawback section contained in this document.

Figure 12 illustrates the Tradex process flow. As illustrated in figure 12 the EITS database 1200 provides information 1201 relating to historic duty drawbacks, imports and exports, product information etc., and the ERP system 1210 provides information 1211 relating to forecast exports and bill of material data, the information 1201 and 1211 being utilised in step 1220 for identifying historic and future exports eligible for Tradex. The items suitable for a Tradex order being illustrated as 1225. Step 1230

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- prepares and submits a Tradex order using a Tradex application form 1235, the completed Tradex order shown as 1240. Step 1245 updates the EITS database 1200 for items identified as covered by a Tradex order. Step 1250 receives notification of Tradex order approval 1255 and allows progression to step 1260 which monitors the status of
- 5 Tradex orders for processed imports and exports via the EITS database 1200, and produces a Tradex status report 1265.

Functions

| No | Event | Function | Perform by |
|----|--|---|---------------|
| 1 | Analyse products suitable for Tradex | Operational data verification and (forecast projected re-export of product) from ERP or forecasting system | System/User |
| 2 | Analyse products suitable for Tradex | Obtain included imported products from export bill of components | System |
| 2 | Analyse products suitable for Tradex | Analyse historic duty drawback claims and identify eligible Tradex products | System |
| 3 | Analyse products suitable for Tradex | Select imported items for Tradex Order (within 12 months) | System/ User |
| 3 | Analyse products suitable for Tradex | Calculate Tradex claim in imported materials (own, or purchased duty/allowance) | System |
| 3 | Determine export to home consumption factors | Calculate % factors for imports that are exported or diverted to home consumption for allocation of the Tradex Order to Imports | System/User |
| 3 | Determine Tradex order value | Calculate the value of a Tradex order for forecasts exports through reference to the product costs in the inventory master file | System |
| 4 | Lodge Tradex Order | Negotiate Tradex Orders with DISR | User |
| 5 | Lodge Tradex Order | Print a compliant Tradex application form from information contained in EITS | System |
| 6 | Lodge Tradex Order | Obtain Tradex order by tariff chapter | User |
| 7 | Update EITS with Tradex order details | Update operational data, and provide warning of any deviation in Tradex Order. | System |
| 7 | Lodge Tradex Application | Track the status of Tradex Orders submitted | System |
| 7 | Approval of | Record TRADEX order number in | System / User |

| No | Event | Function | Perform by |
|----|---------------------------------|---|---------------|
| | Tradex Order | product details file | |
| 7 | | Upon receipt of a Tradex Order the existing on-hand inventory balance needs to be entered against the Tradex Order to exclude those items if they are exported. | User |
| 8 | Monitor Tradex Order | Evidence of import/export events | System |
| 8 | Monitor Tradex Order | Record Tradex claimed against Tradex order | System |
| 8 | Reconcile Tradex Order | Tradex Order reconciliation | System / User |
| 8 | Monitor Tradex Orders | Track on an ongoing basis the importation and exportation of goods to which the Tradex order relates based upon pre-defined tolerance levels | System |
| 8 | | Identify products covered by a Tradex order that have been diverted to home consumption resulting in duty becoming payable | System / User |
| 8 | Log Tradex Orders | Maintain a log of all Tradex Orders and versions if amendments are made to existing Tradex Orders | System |
| 9 | | (Optional) Apply for variation to Tradex order | User |
| 9 | Monitor Tradex Order Compliance | Use what if scenarios to determine/predict future compliance with Tradex Order to identify issues and to produce revised Tradex orders based upon actual or future predictions. | System / User |
| 9 | Monitor Tradex Order Compliance | Identify the impact of changes to sales forecasts have on existing Tradex Orders and identify where new Tradex Orders are required. | System / User |

Input Transactions

| Event | Input | Source | Electronic or Manual | Frequency |
|--------------------------------------|---|---------------------------------|----------------------|-----------|
| Analyse products suitable for Tradex | Historic Duty drawback information | EITS database | Electronic | Quarterly |
| Analyse products suitable for Tradex | Historic export Sales and future export sales forecasts | ERP system, entered manually or | Electronic | Quarterly |

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| | | | | |
|--------------------------------------|------------------------------|----------------------|------------|-----------|
| | | via document imaging | | |
| Prepare Tradex Order | Tradex application form | DISR | Manual | As need |
| Approval of Tradex Order | Confirmation of Tradex Order | DISR | Manual | As need |
| Analyse products suitable for Tradex | Bill of material information | ERP system | Electronic | Quarterly |

Output Transactions

| Event | Output | Destination | Electronic or Manual | Frequency |
|--------------------------------|--|---------------|----------------------|-----------|
| Lodge Tradex Application | Completed TRADEX application | DSIR | Manual or Electronic | As need |
| Approval of Tradex Application | Flagging of products covered by a Tradex order to enable zero duty calculation/payment in imports module | EITS Database | Electronic | Real Time |

Reports & Enquiries

- 5 Listing of TRADEX Orders by product; Status of imports/exports against TRADEX Order and cause of any variance; Imported and exported items not currently covered by TRADEX order; Imported items covered by a Tradex Order diverted for home consumption.

10 *Inter-Module Interfaces*

The TRADEX module will interface to the following modules: Master data maintenance; Trade Compliance – Imports; Trade Compliance – Exports; Communications Manager; Operational System Interface; Event manager.

15 Transfer Pricing Management*Overview*

- The EITS Transfer Pricing Monitor module is a tool to both monitor and manage cross border prices between affiliates where the parent company or affiliate has established global pricing structures and methodologies. The transfer pricing monitor will provide a
- 20

link to the company's documented transfer pricing methodology as a reference source and basis for monitoring compliance with the policy at time of importation of goods from group affiliates. It should provide a mechanism for Chief Financial Officers and tax managers in multinational companies to maintain tax compliance for cross border trade in tangible products. Within this module price variations by country for each Division or business unit are recorded within defined parameters, which can be set by the CFO in conjunction with the operational managers.

For individual import products the system will permit Transfer Price tracking for a product by individual country or all countries involved in an organisation's trade. The system provides for high-level variance checking by tax jurisdiction or group of countries (such as business divisional regions) with 'drill down' to product detail. The internationally accepted arm's length methodologies are based on the concept of comparing outcomes achieved by associated enterprises in their dealings to those achieved by independent enterprises for the same or similar dealings. These arms length methodologies are divided into two groups. (1) The tradition transaction methods, being: the comparable uncontrolled price (CUP) method; the resale price (RP) method; and The cost plus (CP) method. (2) The transactional profit methods, which include the profit-split methods and transactional net margin ('profits methods').

Of these five methods the Resale Price Method and Transaction Net Margin Method are commonly used by 85% of importers who are classified as marketer distributors. The EITS Transfer pricing module must be able to monitor the compliance of imported products against one of these methods and report variances to management.

Figure 13 shows the transfer pricing management flow chart. As illustrated in figure 13 step 1300 maintains transfer pricing arrangements and communicates with the EITS database 1310. Step 1320 calculates arms length cross-border price utilising product import details 1325 and standard calculation methods 1330. . Step 1320 outputs a calculated arms length price by product 1335. Step 1340 matches the arms length cross-border price with the import price using import entries information 1345 and producing matched prices 1350. Step 1360 identifies import prices out of a tolerance range and

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sends notification 1365 (for example via email) of irregularities. Step 1370 records transfer pricing impact events and gives effect to event and outcome storage by product 1375.

5 Functions

| No | Event | Function | Perform by |
|----|---|---|---------------|
| 1 | Maintain transfer pricing arrangements | Maintain and access transfer pricing arrangement documentation (by jurisdiction) | User |
| 2 | Maintain transfer pricing rulings | Obtain updates from Authorities (artificial intelligence) of Transfer Pricing rulings and have an expert evaluate the impact on the clients transfer pricing arrangements | User |
| 3 | Calculate Transfer pricing methodology | Calculate and enter arms-length cross-border price. eg resale price less arms-length gross margin or transaction net margin (TNM) method, in relevant currencies (by jurisdiction / methodology / currency) | System / User |
| 3 | Maintain transfer pricing data by product | Maintain standard purchase value added costs elements by product at time of transfer pricing agreement | User |
| 4 | Analyse imports | Match arms length cross-border price with import price (no duty, on costs) | System |
| 4 | Identify transfer pricing issues | Compare actual net cross border price against average sales value to compare actual margin against agreed transfer pricing margin | System |
| 5 | Analyse product sales value | Maintain average net sales value for imported products to monitor agreed arms length margin | System |
| 6 | Identify imports with potential Transfer pricing issues | Identify net cross border prices out of tolerance (via import function) | System |
| 7 | Report transfer pricing issue | Notify nominated parties of irregularities, CFO | System |
| 8 | Record transfer pricing event follow up | Record transfer pricing impacting events and their follow up | User |
| 9 | Allow 3 rd party | Report / electronic access by statutory | System |

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| No | Event | Function | Perform by |
|----|----------------------------|-------------|------------|
| | access on an as need basis | authorities | |

Input Transactions

| Event | Input | Source | Electronic or Manual | Frequency |
|--|---|-------------------------|----------------------|------------|
| Analyse imports | Import Entry information | EITS Database | Electronic | Daily |
| Determine arms length margins by product | Detailed product information, including landed unit costs, Sales prices etc | EITS Database ERP | Electronic | Daily |
| Maintain Transfer Pricing policy | Transfer Pricing Policy, methodology and data | Client | Manual | As revised |
| Maintain Transfer Pricing arrangements | Agreed Arms Length Margins | Transfer Pricing Policy | Electronic or manual | As revised |
| Analyse product sales value | Average unit sale price by product | Clients ERP system | Electronic | Real time |
| Maintain Transfer Pricing policy | Transfer Pricing policy changes | Client | Manual | As revised |

Output Transactions

| Event | Output | Destination | Electronic or Manual | Frequency |
|---------------------------------------|--|---------------------|----------------------|-----------|
| Monitor transfer pricing arrangements | Transfer Pricing Reports by jurisdiction | Client CFO | Electronic | As need |
| Report transfer pricing issues | Transfer Pricing Alerts by jurisdiction | Client CFO | Electronic | As need |
| Monitor transfer pricing | Statutory compliance reporting by jurisdiction | Statutory Authority | Electronic | As need |

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Reports & Enquiries

Display/report agreed arms length margin/cost break up by product; Display/report product imports outside a defined tolerance; Display/report cause of variance against

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agreed arms length margin; Display agreed transfer pricing methodology, policy and data used to confirm Transfer pricing arrangements with taxation authorities.

Inter-Module Interfaces

- 5 The transfer pricing management module should obtain its source information from that stored in the EITS database and from information processed from the import entry module.

International Affiliate Management

10

Overview

- The International Affiliate Management (AIM) module is designed for multinationals that have responsibilities for a number of entities within or across countries. The existence of common Customs systems of classification and valuation and global logistics characteristics makes it essential to be able to manage and control compliance and logistics in the markets that are within the Australian or Global entities' sphere of responsibility. The IAM acts to consolidate importation, exportation, and related cost information for review and comparison at a head office or global level. It should also act to identify potential transfer pricing issues between entities to ensure they can be tracked and resolved at a head office level.

20

- This module requires the creation of a multi-country database that is no more complex than the database necessary for Australia. The Australian or Global corporate head office can then manage the process to both simply ensure that cost benchmarks and processes are effective and efficient or actually run the process from a single source and only involve the overseas affiliate in any necessary physical intervention. The IAM may act to generate a global data warehouse by consolidating the affiliates database at head office level.

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- 30 An illustration for this module is illustrated in figure 14. As illustrated in figure 14, Head Office 1400 provides global reporting and management 1410. National offices such as the USA Office 1420, the Australian Head Office 1430 and the New Zealand

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Office 1440 provide import, export, etc. information 1450 for analysis by the Head Office 1400. Regional Offices such as a Sydney Office 1460 and a Melbourne Office 1470 are also illustrated, this overall structure demonstrates a possible structure for international affiliate management.

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Functions

- Monitor global volumes of Trade and Prices
- Performance measurement / benchmarking import/export costs
- Measure foreign exchange management
- Capture market knowledge for international trading
- Maintain an Affiliates and business unit contact register
- Monitor global transfer pricing compliance by affiliates

Input Transactions

No transactions are input into the IAM, as it is used as a global reporting and monitoring tool.

10

Output Transactions

No transactions are output from the IAM, as it is used as a global reporting and monitoring tool.

15

Reports & Enquiries

The reports and enquires used by the IAM are the same as those defined in the Historical analysis and transfer pricing modules. With the exception that they are a consolidation of the affiliates information on a global or historic basis. An off the shelf report tool should be used for this purpose to enable head office management to report or view affiliate information in any desired form.

20

Inter-Module Interfaces

The international affiliates management will interface directly with the databases of the affiliate system to retrieve on an as need basis, by providing OCBC access to the

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corporate head office, or by allowing head office SQL queries directly to affiliate database based upon head office defined reporting requirements.

III. Various embodiments

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In a particular embodiment the present invention has been developed using Visual Basic and utilises SQL as the database structure. However, any suitable programming language and/or software application may be used to give effect to the present invention. In a particular embodiment, the present invention is Web enabled and written in a language such as Java, to enable deployment and operation over the Internet or Intranet environment.

10

Numerous references and examples have been made to Australia and functions specific to Australian practice. Such references and examples are provided as specific, non-limiting examples, to assist the reader understand the full scope of the invention. The invention should not be considered to be limited to the practices of Australia or of any single country. The specifics of each module may be varied to suit various countries requirements.

15

It should be noted that the computer network as referenced in this specification should be taken to include all forms of connected or communicating computers or terminals having at least two terminals connected or communicating as hereinbefore described. That is, the term computer network should be taken to include any type of terminal as hereinbefore defined, computer, computerised device, peripheral computer equipment, computerised accessory, mobile or cellular phone, digital electronic device or other similar type of computerised electronic device or part thereof which is rendered such that it is capable of communicating with at least one of any of the aforementioned entities. Said communication of information or data can occur over any data communications network, computer network, wireless network, internetwork, intranetwork, local area network (LAN), wide area network (WAN), the Internet and developments thereof, transient or temporary network, combinations of the above or any other type of network providing for computerised, electronic or digital devices.

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Thus, there has been provided in accordance with the present invention, a system, method and computer readable set of instructions for electronic international trading which satisfies the advantages set forth above.

5

The invention may also be said broadly to consist in the parts, elements and features referred to or indicated in the specification of the application, individually or collectively, in any or all combinations of two or more of said parts, elements or features, and where specific integers are mentioned herein which have known
10 equivalents in the art to which the invention relates, such known equivalents are deemed to be incorporated herein as if individually set forth.

Although the preferred embodiment has been described in detail, it should be understood that various changes, substitutions, and alterations can be made herein by one of
15 ordinary skill in the art without departing from the spirit or scope of the present invention as hereinbefore described and as hereinafter claimed.

The claims:

1. An electronically based international trading method for cross-border transactions
5 involving goods which provides automated compliance with government international trade requirements of a region and provides periodic reports directly to a customs authority in accordance with the requirements of the customs authority, and also provides means for communicating and processing transactions with third parties involved in a cross-border transaction, the method including the steps of:
10 entering import/export data relating to a transaction for internationally traded goods into a database, or causing import/export data to be received from a third party;
causing software to verify that the import/export data relate to authorised transactions and that data fields are valid;
having software prepare import/export data as source information which is then
15 transmitted to at least one software based management module, each management module relating to an area of customs or taxation compliance for international trade or third party transactions for international trade;
at least one software based management module operating on the source information to generate processed data, the processed data containing financial,
20 business, logistical, or accounting information required by the organisation, the customs authority or for commercial dealings with a third party also involved in the cross-border transaction;
the processed data being stored in a database, transmitted to a remote computer terminal, or transmitted to data interface software which may further format the
25 processed data according to the requirements of specialist in-house software; and,
whereby each step of the electronic international trading method is provided for by a single software platform and each international transaction is consolidated in the single software platform which continually updates database records.
- 30 2. An electronic international trading system for cross-border transactions involving goods which provides automated compliance with government international trade requirements of a region and provides periodic reports directly to a customs authority in

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accordance with the requirements of the customs authority, and also provides means for communicating and processing transactions with third parties involved in a cross-border transaction, the system including the components of:

a database for storing information relating to international transactions;

5 a terminal for entering import/export data relating to a transaction of internationally traded goods into the database or a network for receiving import/export data from a third party which is then passed to the database;

a single software platform which includes, software to verify that the import/export data relates to authorised transactions and that data fields are valid,
10 software to extract/analyse and/or prepare import/export data as source information which is transmitted to at least one software based management module, each management module relating to an area of customs or taxation compliance for international trade or third party transactions for international trade, management module software operating on the source information to generate processed data, the
15 processed data containing financial, business, logistics, or accounting information required by the organisation, the customs authority or for commercial dealings with a third party also involved in the cross-border transaction, software to cause the processed data to be stored in the database, transmitted to a remote computer terminal, or transmitted to data interface software which may format the processed data according to
20 the requirements of specialist in-house software, whereby the single software platform continually updates the database as import/export data is entered; and, access to

a communications network over which processed data can be transmitted to, the customs authority thereby satisfying governmental customs obligations of an organisation involved in internationally traded goods, or a third party involved in particular
25 transactions.

3. A computer readable medium of instructions for electronic international trading for cross-border transactions involving goods which provides automated compliance with government international trade requirements of a region and provides periodic reports
30 directly to a customs authority in accordance with the requirements of the customs authority, and also provides means for communicating and processing transactions with

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third parties involved in a cross-border transaction, the computer readable medium of instructions providing the features of:

5 a user interface enabling a user to enter import/export data relating to a transaction of internationally traded goods into a database, or a network interface to receive import/export data from a third party;

procedures to verify that the import/export data relate to authorised transactions and that entered data fields are valid;

10 procedures to extract/analyse and/or prepare import/export data as source information which is then transmitted to at least one management module incorporated in the medium of instructions, each management module relating to an area of customs or taxation compliance for international trade or third party transactions for international trade;

15 at least one management module operating on the source information to generate processed data, the processed data containing financial, business, logistics, or accounting information required by the organisation, the customs authority or for commercial dealings with a third party also involved in the cross-border transaction;

20 the processed data being stored in a database associated with the medium of instructions, transmitted to a remote computer terminal, or transmitted to data interface software which may format the processed data according to the requirements of specialist in-house software; and,

whereby each feature of the medium of instructions is provided incorporated into a single user-interface platform and each international transaction is consolidated by the medium of instructions which continually updates database records.

25 4. The claim according to any one of the claims 1 to 3, wherein the database is an inter-linked databases and/or a relational database.

5. The claim according to any one of the claims 1 to 4, wherein import/export data is entered or transmitted as a result of the sale, purchase, delivery or receipt of goods.

30

6. The claim according to any one of the claims 1 to 5, wherein the management modules can be customised to an organisation's requirements and the requirements of a particular regions laws, regulations or procedures.

5 7. The claim according to any one of the claims 1 to 6, wherein the management modules can include any combination of the following modules: Events management, Operational System Interface Management, Communications Management, Master Data Maintenance, Database Management, Historical Analysis, Authority Interface Management, Trade Compliance – Imports, Trade Compliance – Exports, Duty
10 Drawback Management, Tradex Order Management, Transfer Pricing Management, or International Affiliate Management.

8. The claim according to any one of the claims 1 to 7, wherein the import/export data may include information relating to any combination of the following: suppliers;
15 customers; shipping details; products; components; product costs; customs duties; indirect taxes; tariff classifications; insurance costs; freight costs; brokerage costs; or disbursement costs.

9. The computer-readable medium of instructions as claimed in claim 3, wherein
20 the computer-readable medium of instructions is used in-house in an organisation which imports or exports goods.

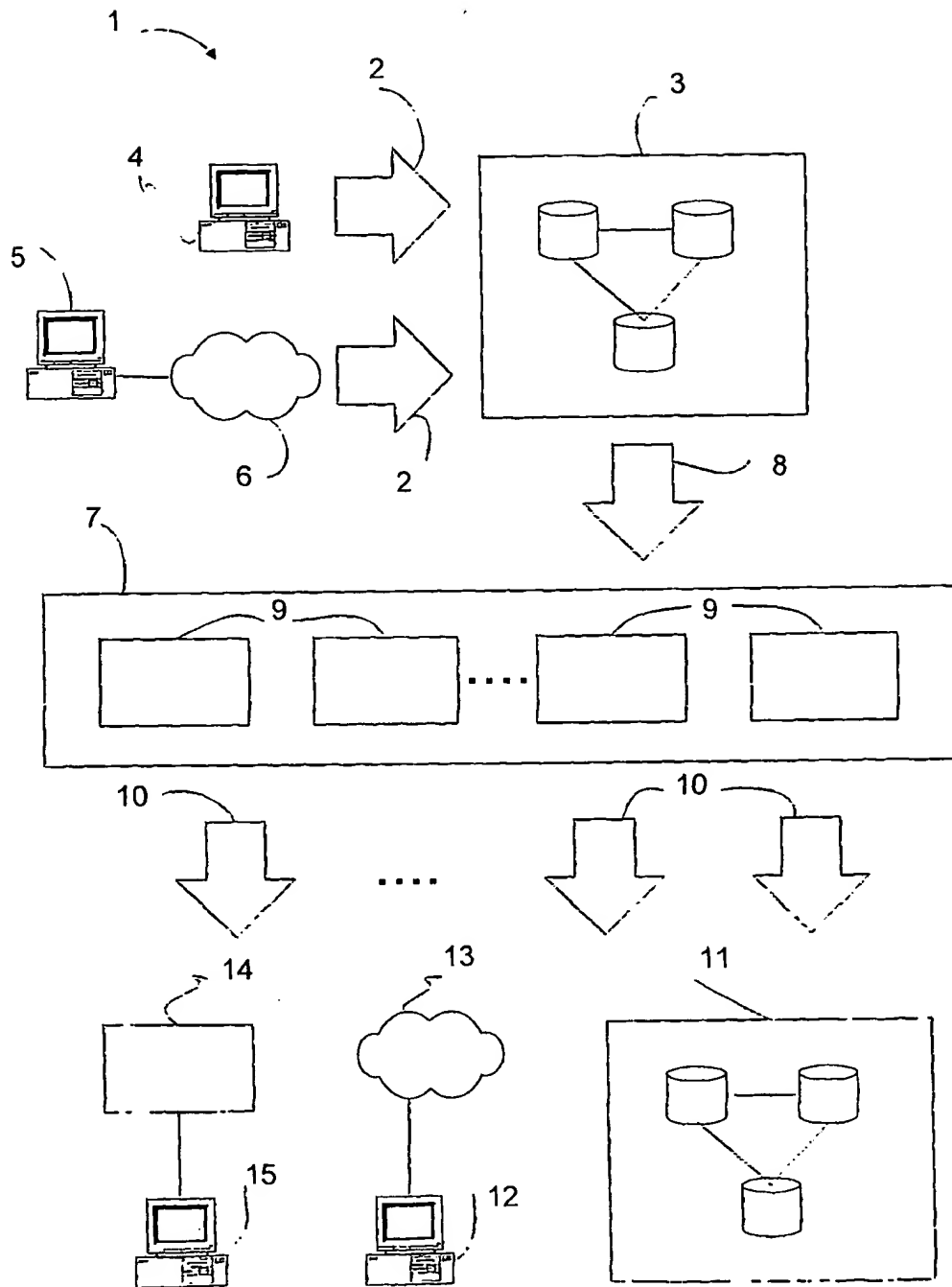
10. The claim according to claim 9, wherein the computer readable medium of instructions is a software package for which various country specific management
25 modules may be added, amended or removed.

11. The claim according to any one of the claims 1 to 10, wherein predefined triggers automatically cause processing and transmission of data.

30 12. An electronically based international trading method, substantially according to the embodiment described in the specification with reference to the accompanying figures.

13. An electronic international trading system, substantially according to the embodiment described in the specification with reference to the accompanying figures.
- 5 14. A computer readable medium of instructions for electronic international trading, substantially according to the embodiment described in the specification with reference to the accompanying figures.

FIGURE 1



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FIGURE 2

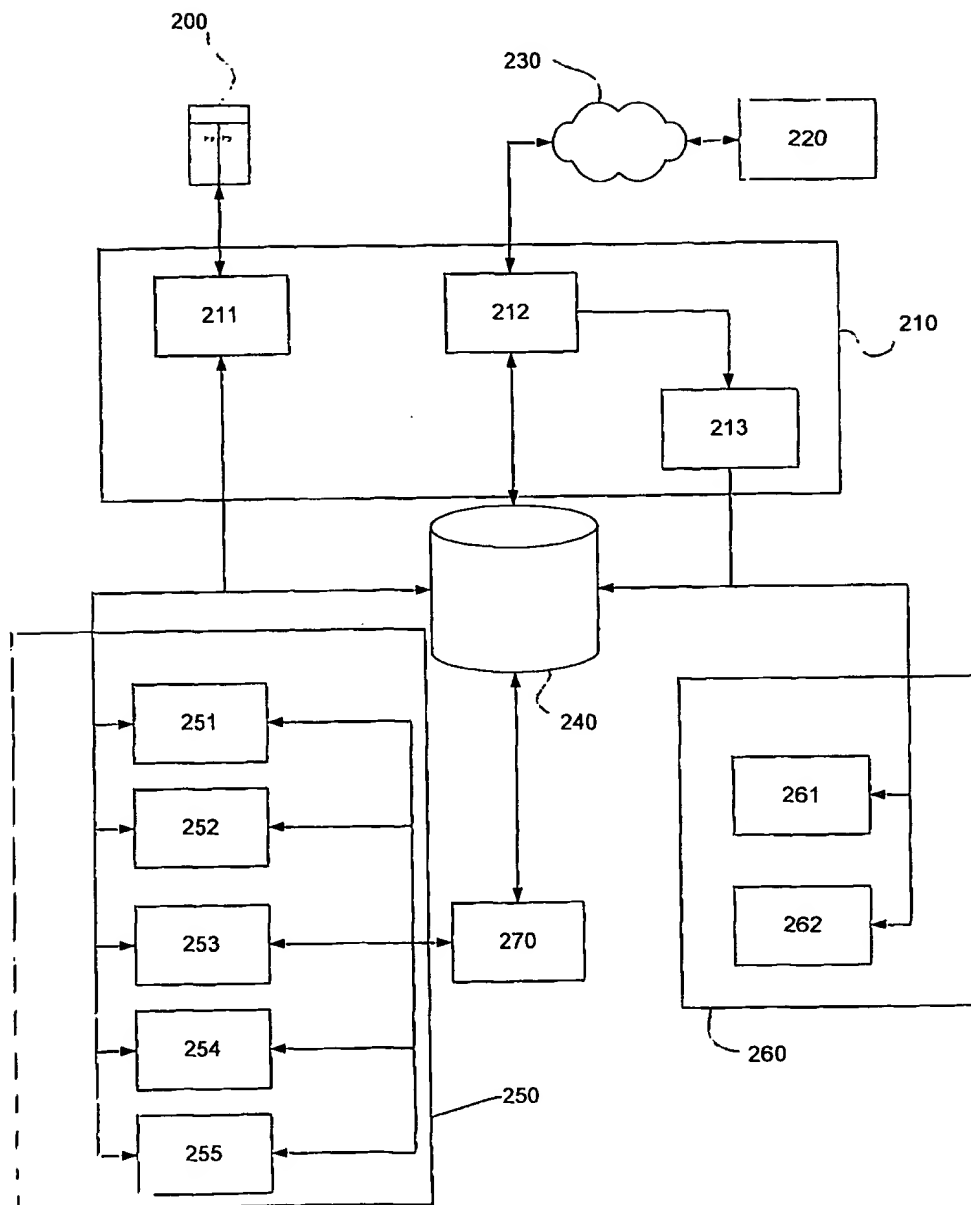
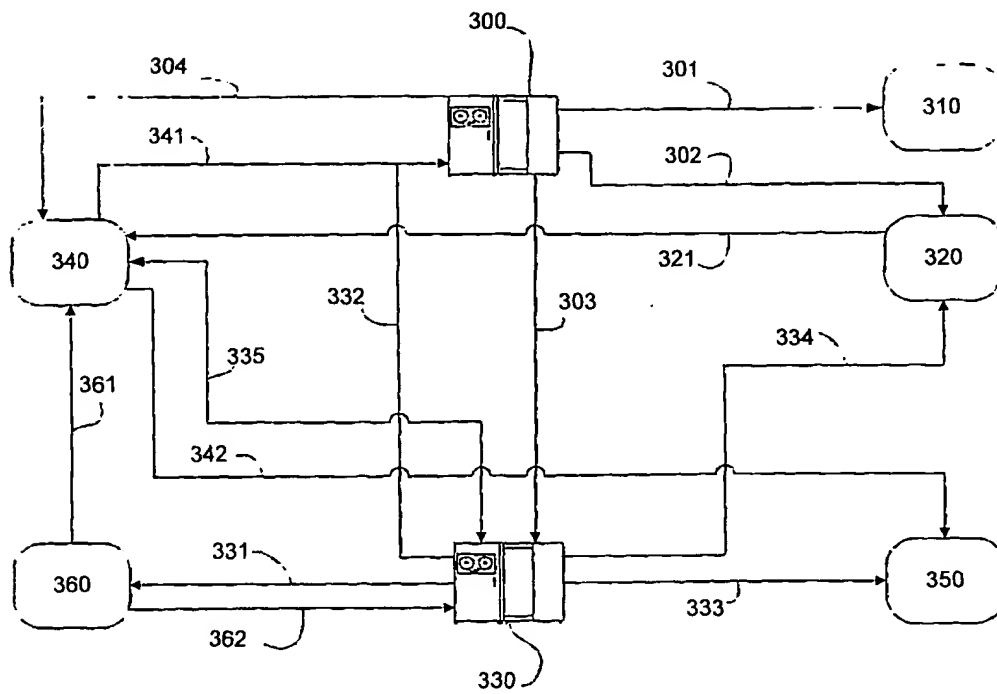
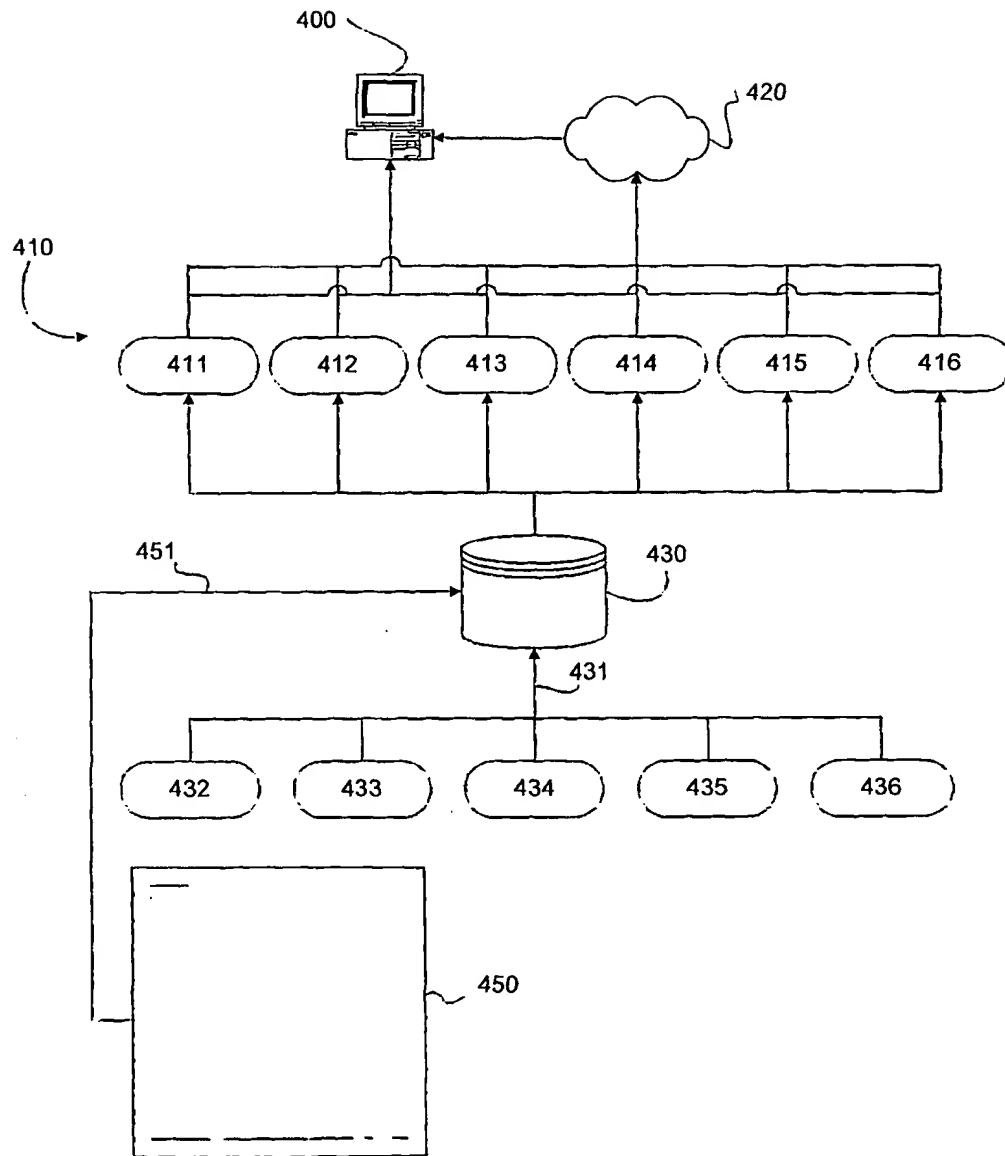


FIGURE 3



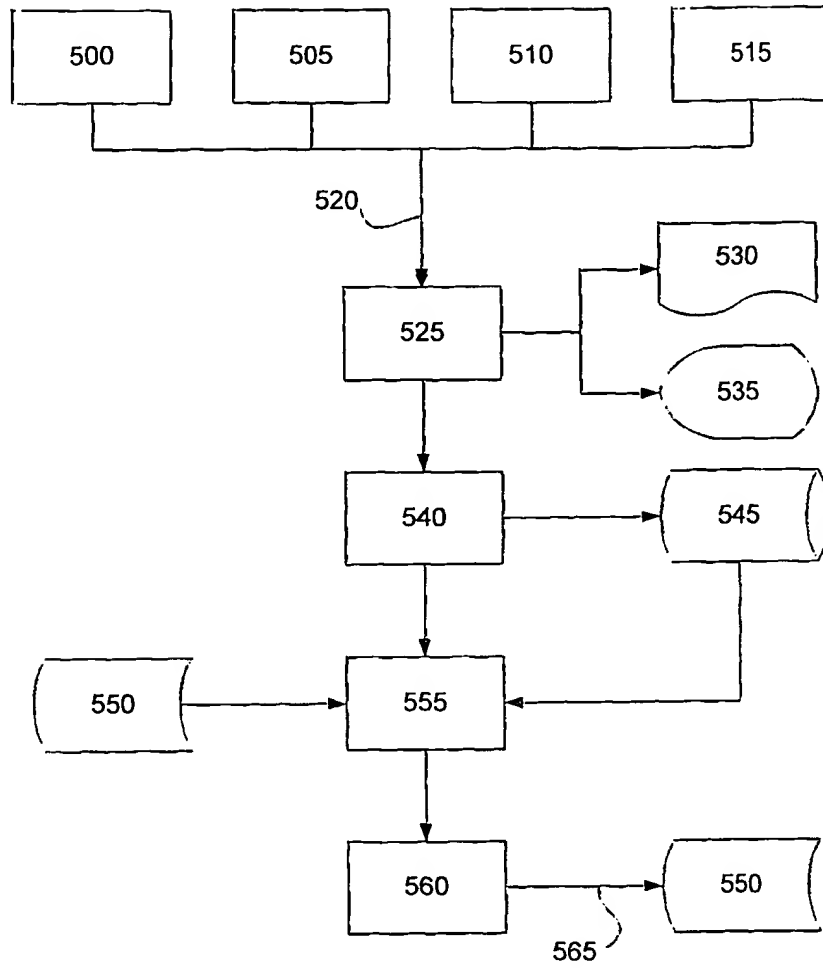
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FIGURE 4



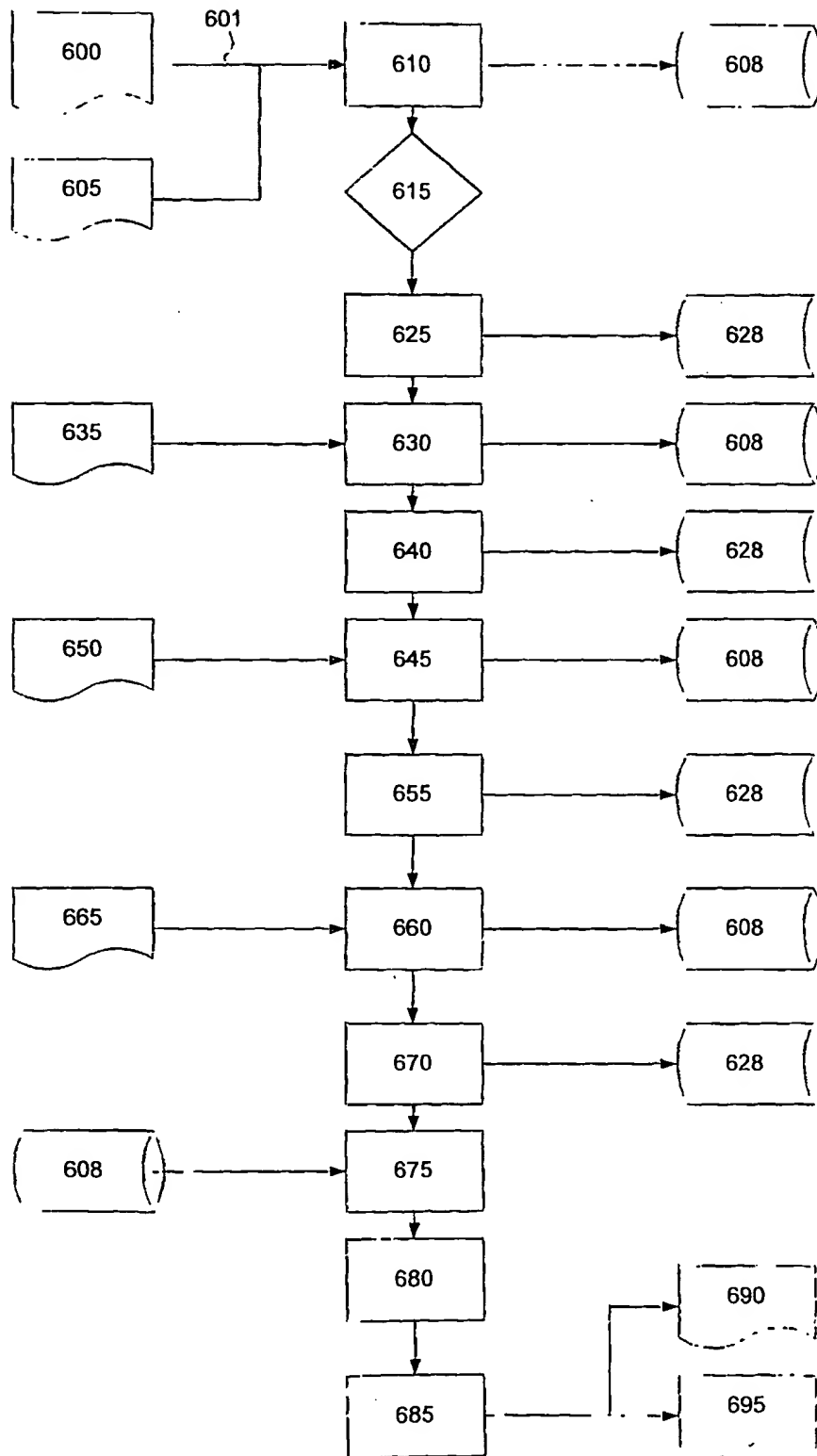
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FIGURE 5



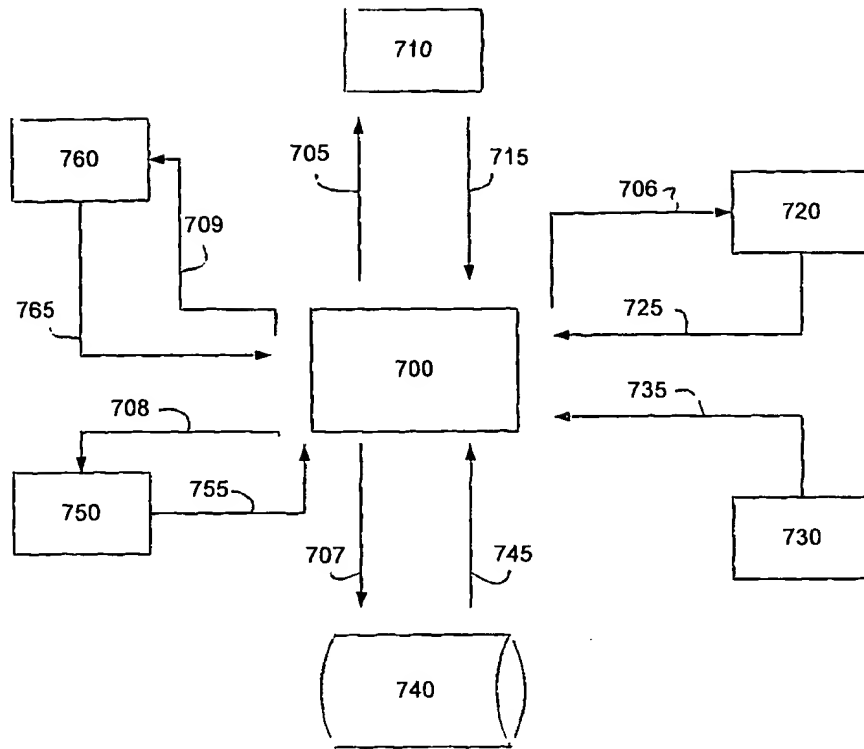
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FIGURE 6



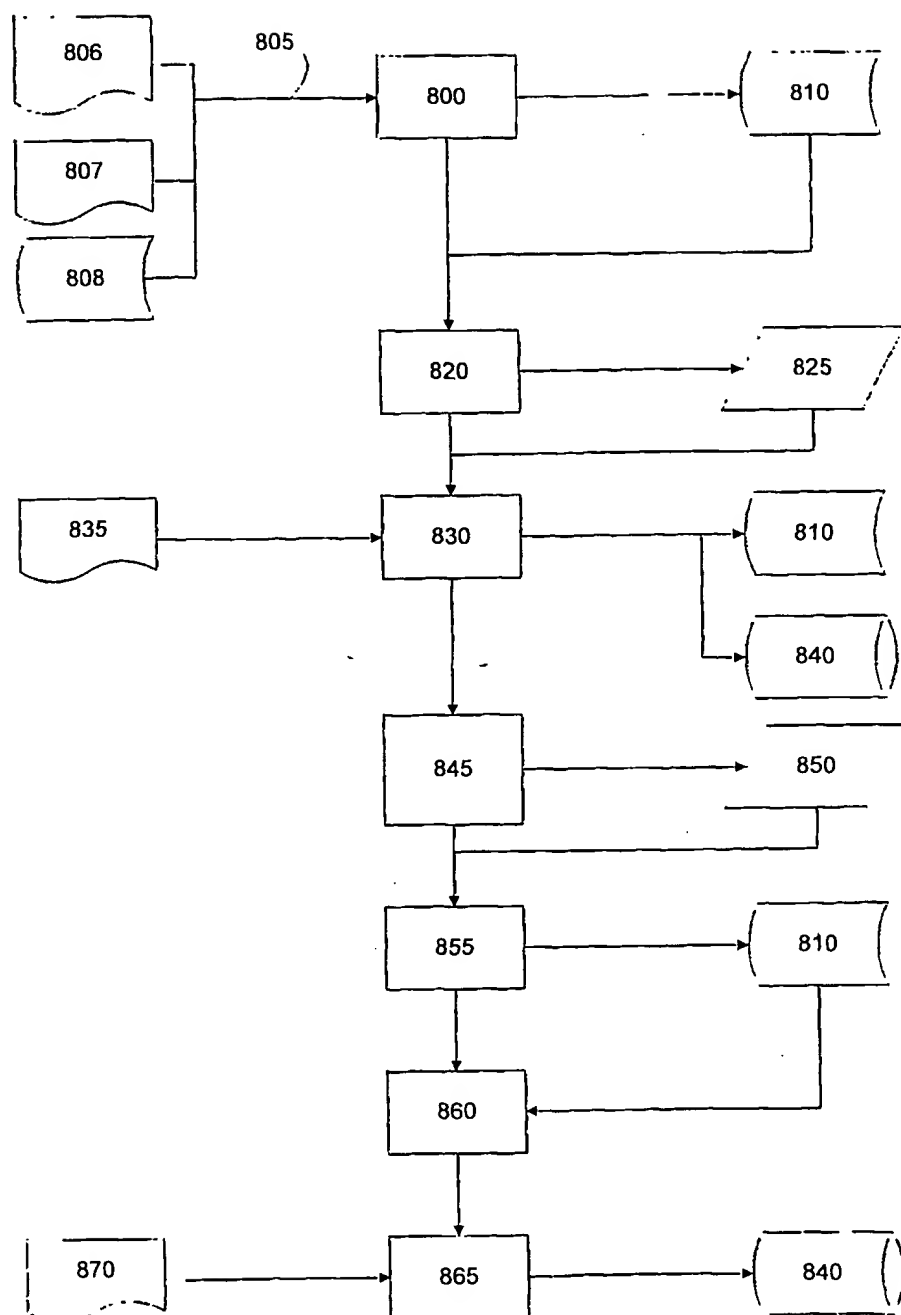
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FIGURE 7



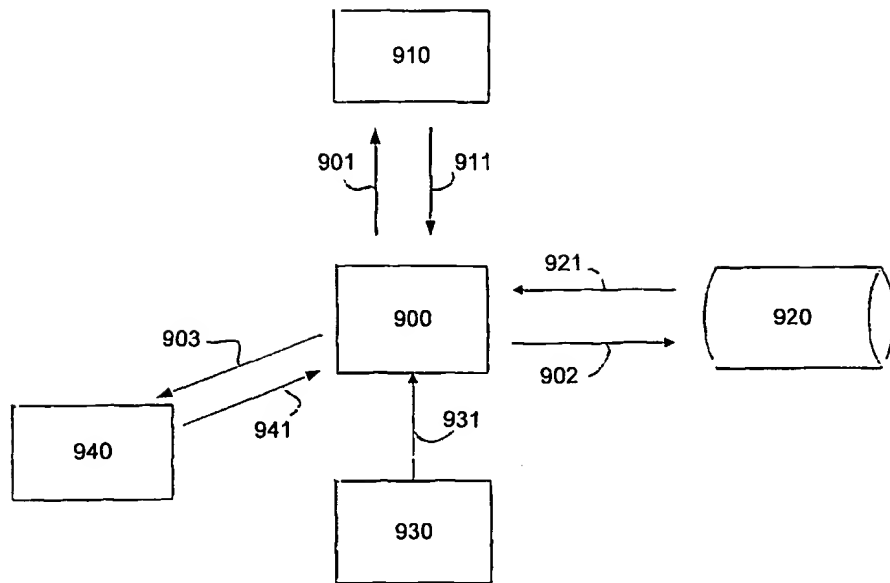
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FIGURE 8



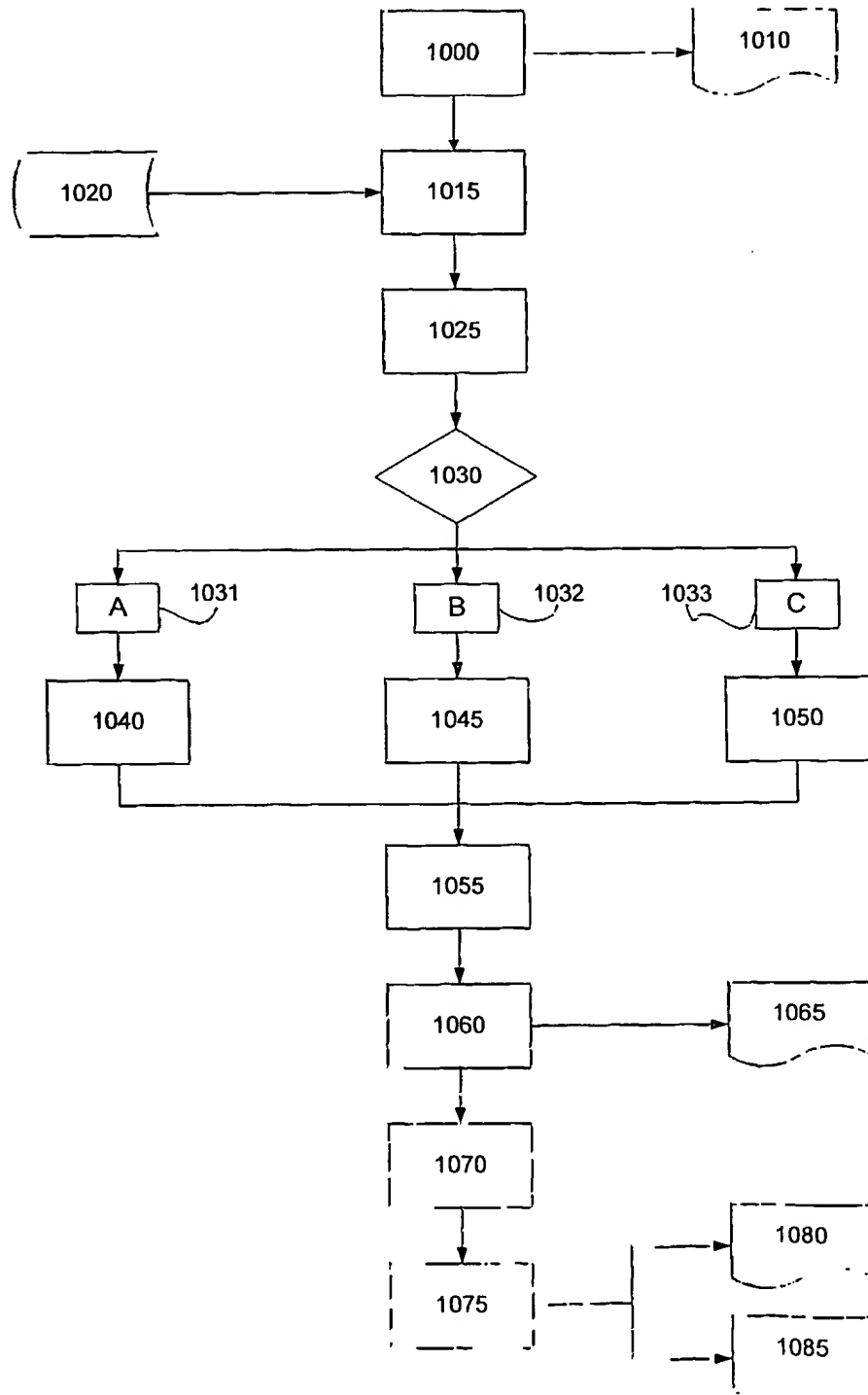
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FIGURE 9



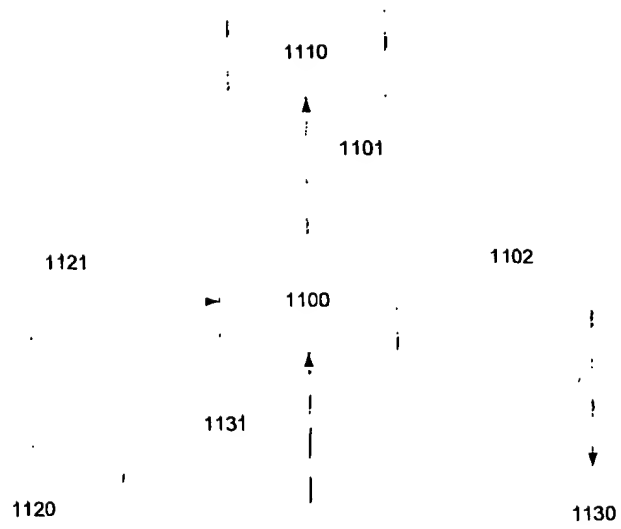
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FIGURE 10



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FIGURE 11



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FIGURE 12

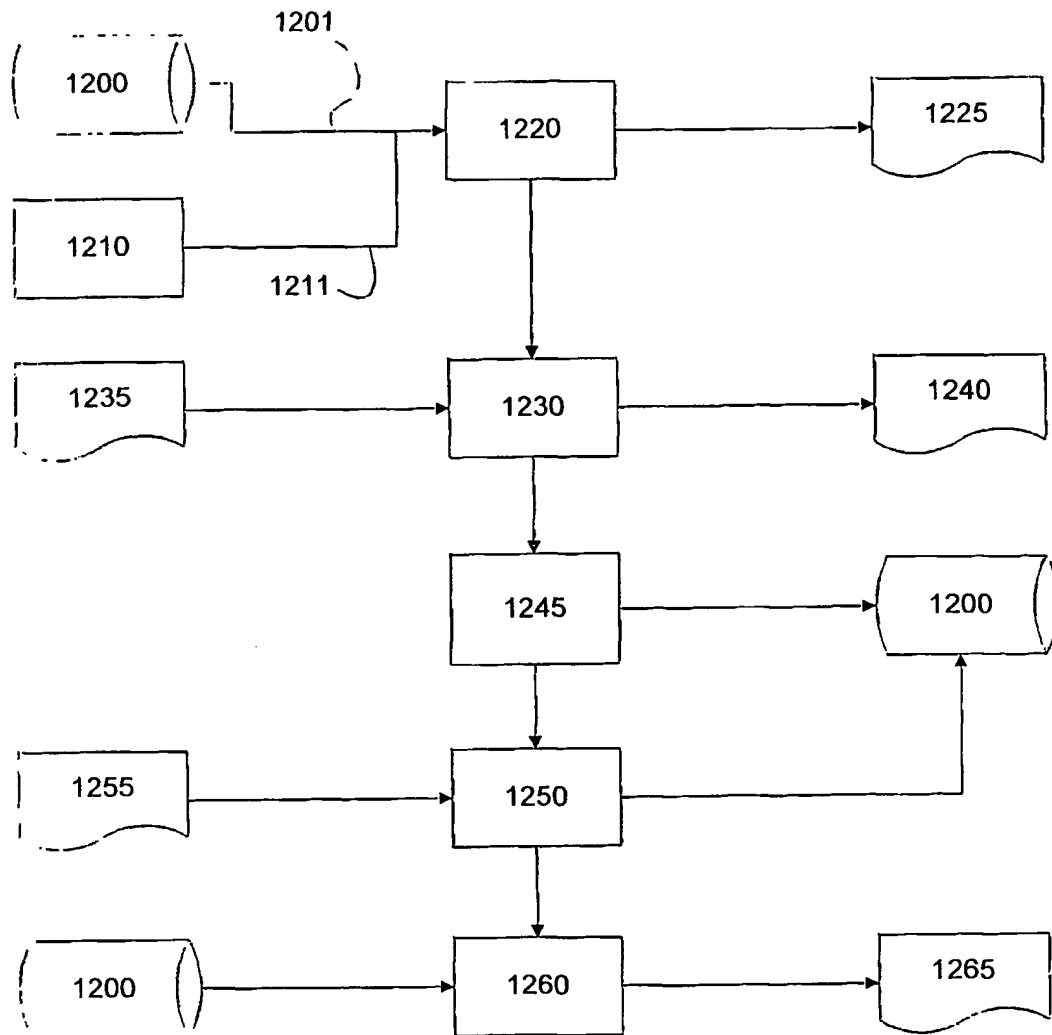


FIGURE 13

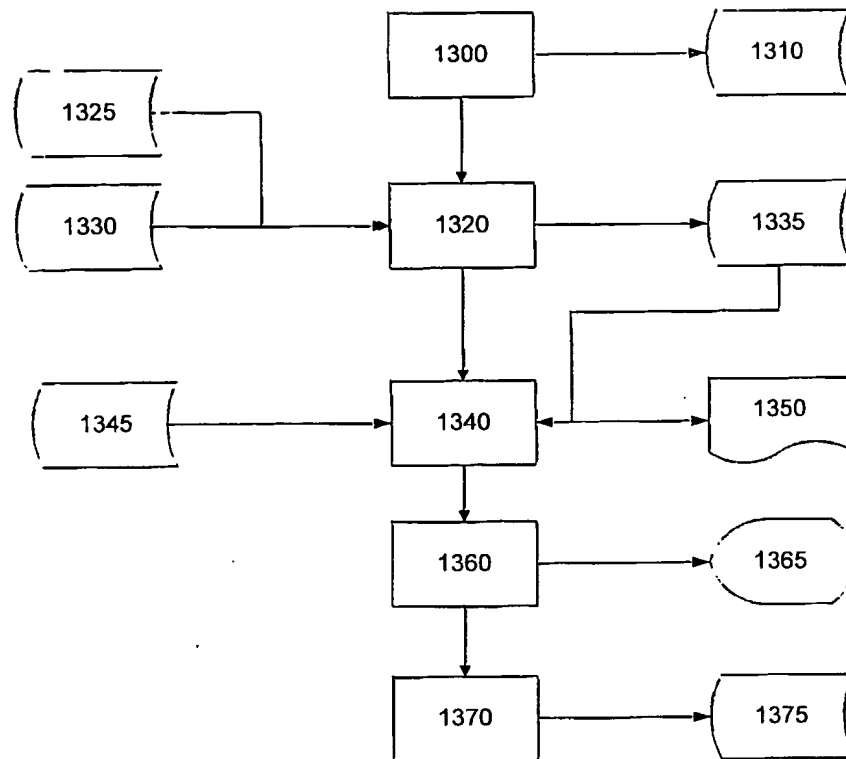
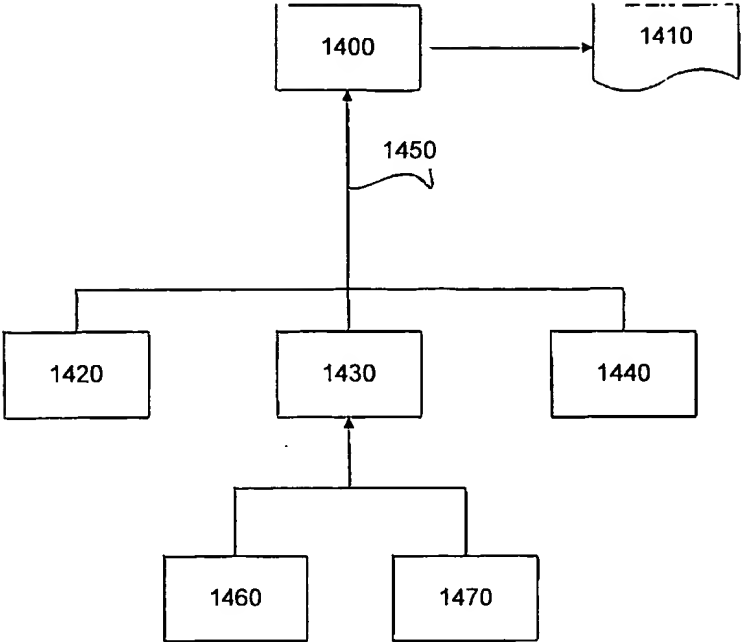


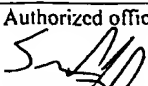
FIGURE 14



INTERNATIONAL SEARCH REPORT

International application No.

PCT/AU01/00614

| A. CLASSIFICATION OF SUBJECT MATTER | | | | | | | | | | | | |
|--|--|---|--|---|---|--|---|--|--|---|--|--|
| Int. Cl. ⁷ : G06F 17/30, 17/60 | | | | | | | | | | | | |
| According to International Patent Classification (IPC) or to both national classification and IPC | | | | | | | | | | | | |
| B. FIELDS SEARCHED | | | | | | | | | | | | |
| Minimum documentation searched (classification system followed by classification symbols) | | | | | | | | | | | | |
| Documentation searched other than minimum documentation to the extent that such documents are included in the fields searched | | | | | | | | | | | | |
| Electronic data base consulted during the international search (name of data base and, where practicable, search terms used) WPAT, INSPEC, USPTO, Delphion eg: trade goods commodities cargo commerce merchant, customs duty tax import export foreign overseas border country nation international, database warehouse, manage administration | | | | | | | | | | | | |
| C. DOCUMENTS CONSIDERED TO BE RELEVANT | | | | | | | | | | | | |
| Category* | Citation of document, with indication, where appropriate, of the relevant passages | Relevant to claim No. | | | | | | | | | | |
| A | WO 00/42553 (Harmony Software, Inc.) 20 July 2000. | 1-14 | | | | | | | | | | |
| A | WO 00/38095 (The Chase Manhattan Bank) 29 June 2000. | 1-14 | | | | | | | | | | |
| A | WO 98/58303 (DSX International, Inc.) 23 December 1998. | 1-14 | | | | | | | | | | |
| A | US 5631827 (Nicholls et al.) 20 May 1997. | 1-14 | | | | | | | | | | |
| <input type="checkbox"/> Further documents are listed in the continuation of Box C <input checked="" type="checkbox"/> See patent family annex | | | | | | | | | | | | |
| <p>* Special categories of cited documents:</p> <table border="0"> <tr> <td>"A" document defining the general state of the art which is not considered to be of particular relevance</td> <td>"T" later document published after the international filing date or priority date and not in conflict with the application but cited to understand the principle or theory underlying the invention</td> </tr> <tr> <td>"E" earlier application or patent but published on or after the international filing date</td> <td>"X" document of particular relevance; the claimed invention cannot be considered novel or cannot be considered to involve an inventive step when the document is taken alone</td> </tr> <tr> <td>"L" document which may throw doubts on priority claim(s) or which is cited to establish the publication date of another citation or other special reason (as specified)</td> <td>"Y" document of particular relevance; the claimed invention cannot be considered to involve an inventive step when the document is combined with one or more other such documents, such combination being obvious to a person skilled in the art</td> </tr> <tr> <td>"O" document referring to an oral disclosure, use, exhibition or other means</td> <td>"&" document member of the same patent family</td> </tr> <tr> <td>"P" document published prior to the international filing date but later than the priority date claimed</td> <td></td> </tr> </table> | | | "A" document defining the general state of the art which is not considered to be of particular relevance | "T" later document published after the international filing date or priority date and not in conflict with the application but cited to understand the principle or theory underlying the invention | "E" earlier application or patent but published on or after the international filing date | "X" document of particular relevance; the claimed invention cannot be considered novel or cannot be considered to involve an inventive step when the document is taken alone | "L" document which may throw doubts on priority claim(s) or which is cited to establish the publication date of another citation or other special reason (as specified) | "Y" document of particular relevance; the claimed invention cannot be considered to involve an inventive step when the document is combined with one or more other such documents, such combination being obvious to a person skilled in the art | "O" document referring to an oral disclosure, use, exhibition or other means | "&" document member of the same patent family | "P" document published prior to the international filing date but later than the priority date claimed | |
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| "O" document referring to an oral disclosure, use, exhibition or other means | "&" document member of the same patent family | | | | | | | | | | | |
| "P" document published prior to the international filing date but later than the priority date claimed | | | | | | | | | | | | |
| Date of the actual completion of the international search 18 June 2001 | | Date of mailing of the international search report | | | | | | | | | | |
| Name and mailing address of the ISA/AU AUSTRALIAN PATENT OFFICE PO BOX 200, WODEN ACT 2606, AUSTRALIA E-mail address: pct@ipaustalia.gov.au Facsimile No. (02) 6285 3929 | | Authorized officer  SEAN APPLGATE Telephone No : (02) 6283 2207 | | | | | | | | | | |

INTERNATIONAL SEARCH REPORT
Information on patent family members

International application No.
PCT/AU01/00614

This Annex lists the known "A" publication level patent family members relating to the patent documents cited in the above-mentioned international search report. The Australian Patent Office is in no way liable for these particulars which are merely given for the purpose of information.

| Patent Document Cited in Search Report | | Patent Family Member | |
|---|-----------|----------------------|-----------|
| WO | 200042553 | AU | 200022254 |
| WO | 200038095 | US | 6035176 |
| WO | 9858303 | AU | 81632/98 |
| | | EP | 996878 |
| US | 5631827 | US | 5485369 |
| END OF ANNEX | | | |